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No.30,975

Wednesday October 18 1989

Wall St, London suffer

World News **UK** to free 'Guildford Four' after 14 years

Britain's Director of Public Prosecutions said the "Guild-ford Four" — the alleged IRA guerrillas jailed since 1974 for bombing English public houses in the mid-1970s IRA campaign — had been convicted unjustly. The four are expected to be freed with their names cleared. Page 13

Soviet resignation Editor of the most popular newspaper in the Soviet Union has been ordered to resign for printing a story hinting at the unpopularity of President Mik-hail Gorbachev. Page 20

Waldheim cleared UK report on wartime activities of Kurt Waldheim, Austrian President, cleared him of responsibility for the execu-tion of Allied prisoners in the Second World War. Page 2

Dresden protest

. .: 27d: , 125

0.00

.

More than 10,000 East Germans besieged Dresden's city hall to demand news on talks between the mayor and reform-minded protesters, Protstant church sources said. Campaign, Page 2

Nicaraguan arms Nicaragua appears set to receive new arms supplies from East Germany in prepara-tion for a "final offensive" against the US-backed Contras. Page 4

Summit agreement Leaders of the Commonwealth agreed on the eve of their blen-nial summit in Kuala Lumpa that they would not press for any new sanctions against South Africa for the moment.

Spanish poli threat Campaigners for the Spanish general election have had a chilling reminder of the threats to democracy by a pledge by Basque ferrorists to kill engi-

European equal pay European Court of Justice ruled that employers must prove their pay scales are fair

a new motorway. Page 3

of discrimination.

to women if they are accused. World Ivory ban

World body controlling wildlife trade formally banned ivory sales, in spite of bitter objections from southern African countries which insisted that their elephant herds are not

endangered. Page 6 **UK-Argentine talks** Talks between Britain and Argentina, which are intended to improve relations, may go

into e third umplanned day tomorrow, said Sir Crispin Tickell, Britain's representative. Page 8

Yeltsin claim Reformist Soviet politician Boris Yeltsin said the leadership was trying to discredit him with an accusation that he fabricated a claim of an

assassination attempt. Page 2 Bush pressure Bush Administration is stepping np pressure on Congress

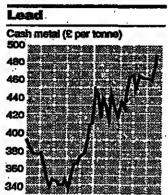
to produce real cuts in pro-grammes in its deficit reduction package. Page 9

Ministries abolished Ivory Coast responded to demands by foreign donors and the World Bank to reduce government spending by abol-ishing 10 ministries. Page 4

Business Summary **Japanes**² store group to move base

YAOHAN, Japanese stores group, is moving its headquar-ters to Hong Kong and concen-trating on developing overseas outlets, in what is believed to be the first decision by any domestic company to quit Japan to move abroad.

LEAD prices recovered on the LME after Monday's sharp fall.



AMSTRAD, UK computer company, reported sharply-reduced profits as its share value plunged to 47p. Page 21

FORD, US car maker, has raised its shareholding in Jaguar to 10.4 per cent in a bid to gain control of the UK lux-ury car maker. Page 21 BOEING. US commercial air-

launch of its new twin-engined passenger aircraft following financial turmoil on Wall Street. Page 21 MERRILL LYNCH, one of Wall

1988. Page 24 MALAYSIA'S banking sector is likely to be restructured; so it can help fund a booming

economy, and to make up for billion-dollar losses suffered by banks during previous years. Page 25 US has agreed to double its

import quota for Mexican steel from 400,000 to 800,000 tonnes for 21/2 years from this month until the end of March 1992. Page 7.

Motors UK subsidiary, offered manual employees holiday entitlement of up to eight

ANCHOR Glass Container, US glass manufacturer, is to be acquired by Vitro of Mexico-following a takeover struggle lasting more than two months. Page 24

dian Government guarantees for export credits which will fund construction of the first stage of Ankara'e metro.

CHINA said a tough austerity policy succeeded in slowing the runaway economy, but it would take at least three years to put the economy back on

SOUTH Korean MPs launched a strong attack on land specu-lation and the inadequacies of the tax system, especially as it affects big companies.

CO OP, troubled West German retailer which drew back from the brink of bankruptcy last month, unveiled plans for a far-reaching capital reconstruc-tion aimed at raising \$188m in fresh funds, Page 23

MARKETS

STERLING New York lunchtime: \$1.5815 61.50 London: \$1.5825 (1.575) 142.8325 (2.9375) 19 9825) Y223.75 (223.5) (emas) 0.98 xebni 2

COLD New York: Comex Dec \$370.9

N SEA Off (Argus) Brent 15-day \$19.65 (+0.175)

2,135.5 (-27.9) FF Ordinary: SFr1.627 1,730.7 (-29.6) FT-A Atl-Share: DM1.853 (1.865) FFr6:30 (6.3375) New York kinchlime: SFr1.6235 (1.635) DJ Ind. Av. 2,638.93 (-18.65) \$ Index 69.8 (same) Tokyo close: 142.25 S&P Comp 339.54 (-3.3) US LUNCHTONE Tokyo: Nikkel RATES 34,996.08 (+527.39) Fed Funds 85%% 3-mo Treasury Bills: LONDON MONEY

3-month Interbank:

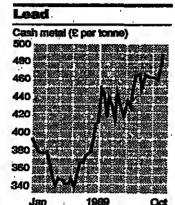
closing 1412% (same)

yield: 7.65% Long Bond: 10113 Chief price changes yesterday: Page 21 Little long gift future: yield: 7.97% Dec 93点 (92號) MARKET REPORTS: CURRENCIES, Page 42; BONDS, Pages 26,27; COMMODITIES, Page 34; EQUITIES, Page 35 (London), 48 (World)

New York lunchtime: DM1.855

to Hong Kong

Cash metal added £15.25 to



£489.25 a tonne - ahead of Friday's eight-year high of £487.50

craft manufacturer, could delay a key decision on the

Street's largest securities houses, reported a substantial drop in third-quarter net earnings to \$41m, compared with \$55.6m in the same period of 1988. Pages 24

VAUXHALL, the General

weeks a year. Page 13

TURKEY and Canada have reached agreement over Cana-

course. Page 4

FRENCH Industry Minister Roger Fauroux is worried that state-owned and controlled companies cannot compete in the current wave of interna-tional takeovers, Page 3

swing either way.

Mr Gandhi — who
announced he would not be
attending the Commonwealth
summit in Kuala Lumpur after
calling the election — acted

another bout of nerves By Peter Norman in London and Janet Bush in New York

EQUITY prices in the US and Britain US fell again yesterday as investors took fright after news that the US trade deficit in August was the highest so far this year and that the United Airlines buyout deal was again in trouble.

The announcement of the \$10.77bn US deficit for August put Wall Street and London on a nervous and erratic roller coaster that gradually eroded

SERIALS OIVISION

coaster that gradually eroded the fragile confidence which appeared in the markets after Monday's strong recovery.

The Dow Jones Industrial Average closed 18.65 down at 2,638.73, which was well above its lows of the day.
The FT-SE 100 share index closed at 2,185.5, down 27.9

after heavy trading of 643m US equity traders had barely stopped cheering the recovery in the Dow Jones average on Monday when they were hit by one of the most volatile ses-

sions in memory.
During increasingly erratic New York trading influenced New York trading influenced by computer programmed trad-ing and reports of new difficul-ties in arranging finance for the highly leveraged buyout of UAL, the US airline, the Lon-don equity market took its cue from the US.

It was the difficulties over the UAL which last Friday trig-gered the second worst stock gered the second worst stock market fall in history. Trading in the stock was suspended half way through yesterday morning in New York as it was swamped by sell orders amid reports that Japanese banks were baulking at funding a restructured buy-out of the air-

The morning saw a frenzied 20-minute period of see-sawing price movements in which

break in a steadily improving trend this year, were described as "disappointing" by Mr Rob-ert Mosbacher, the Commerce

Secretary, There is now virtually no dif-

ference between the growth rate of exports and imports through the first eight months

of 1989, but this is partly due to

a dip in imports at the begin-ning of the year. Over the last 12 months the export trend of

By Anthony Harris in Washington

ON OTHER PAGES Stock market reports: World......46 London..... 35 ● Lex.....20 • A sense of proportion; leadera and laggards;

Hong Kong takea it in strida......22 UK sacuritias housas may face cutbacks.....13 • Govarnment bonds. Eurobonds..... 27 ● Currencies..... 42

the New York Stock Exchange with sell orders and then, as swiftly, a flood of buying.

The jittery performance of

the two main Anglo-Saxon markets was in marked contrast to those in the Far East, which built on Monday's late share price recovery in London and New York with further

gains.

Dealers arrived at their computer terminals in London yesterday to find that the Tokyo market had closed 1.53 per cent higher. Hong Kong and Austra-lian markets had also

During the European morning, continental honrses recouped part of Monday's heavy losses that had been prompted by Friday's 190-point plunge in the Dow Jones average and exacerbated by decline dealing and liquidity

London equities accordingly opened on an optimistic note with a gain of 12.5 points on the FT-SE index. However, there were early signs of weak-ness as the market slipped back. London appeared to be regaining its nerve when the fell % point, taking it US trade data pushed it above 8 per cent again

sharply lower. New York's reaction to the New York's reaction to the trade figures was strengthened by a widespread feeling at the outset of yesterday's trading that Monday's rally was too good to be true. By the close, however, there was some relief that the Dow had lifted off its lows and yet that it had not registered another gain. There was great nervousness that an was great nervousness that an immediate rally on Wall Street rather than a rational correc-tion could spell trouble for the

longer term. longer term.

London's weakness was underpinned by recurring fears about the state of the British economy with its high 7.6 per cent inflation level, an estimated £20hm (\$32bm) current account this year and 15 per

account this year and 15 per cent base rates.

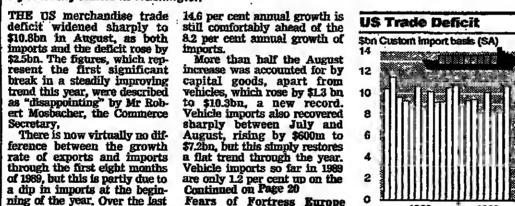
The US trade figures depressed the US dollar which closed in London at DML8530 against DML8650 on Monday. However, in New York the dollar rebounded to be quoted in late trading at DML8670 and Y142.75 near its day's highs.

Y142.75, near its day's highs. With attention focussed on equity markets, sterling had a quiet day, closing in London half a pfennig lower at DM2.9325 against DM2.9375 on Monday and somewhat stronger against the dollar at \$1.5825 against \$1.5750.

The Bank of England's trade weighted sterling index closed unchanged at 89. Bonds on both sides of the

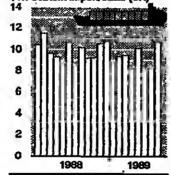
Atlantic continued to trade in Atlantic continued to trade in an inverse relationship with stocks, although that relation-ship appeared to break down late in the New York session. In London, government bonds closed higher, but in New York the US long bond, which had traded higher most of the day traded higher most of the day, fell % point, taking its yield

Trade deficit widens in US



US Trade Deficit

Fears of Fortress Europe



selling may be encouraged by the market's own efficiency, some dealers criticised the slowness with which orders were translated into prices on

Monday. Continued on Page 20

is easy to sell if doubts about

the market arise. But while

Delors urges EC to meet Eastern Europe challenge

By David Buchan in Brussels

THE 12 member states of the European Community must rapidly anchor themselves in economic and monetary union lest fast-developing ties with Eastern European states pull the Community apart, Mr Jac-ques Delors, the European Commission president, warned

yesterday.
In a policy speech which referred chiefly to the changes By Andrew Fisher in Frankfurt in Eastern Europe, he said: "History is accelerating. We THE INQUEST began yesterday into Monday's share must also accelerate." yesterday into Monday's share price rout on West German stock markets. The key question being asked was this: why did the German market suffer such an unexpectedly steep 13 per cent slide in key indices — more than other European markets — when economic fundamentals were so strong and cornorate earnings, pros-

Questions

dust settles

on German

brave recovery yesterday, as domestic and foreign institu-

cations still have to be faced.

"The question has to be asked as to why the market

was so volatile," said Mr Rüdi-

was so voisille," said mr kini-ger von Rosen, executive vice-president of the Federa-tion of German Stock Kxchanges. "This was not just because of international influ-ences on the market. It also seems that the relationship

between German investors and

the market is not as close as that which Japanese, British

or American investors have to

In other words, the German

their own markets."

begin as

bourse

must also accelerate."

From the same podium of the College of Europe in Bruges, at which Mrs Margaret Thatcher, the British Prime Minister, a year ago delivered her blast against "a European superstate", Mr Delors sought not only to rebut the British leader's concerns about regimentation from Brussels, but and corporate earnings pros-pects so positive? With the market making a mentation from Brussels, but also to remind West Germany, increasingly distracted by events in the East, of its self-in-terest in closer Community domestic and foreign instru-tions took advantage of the lower prices, fears of a crash along the lines of October 1987 receded. The DAX real-time index moved up by 6.5 per cent. But the long-term impli-

ralking of what he called "the bubbling of Europe", he claimed that it was "the European Community, community of law, at once democratic and economically dynamic, that has served as the example and catalyst of these changes". It was, he said, "not the West learning from the East, but the East which is attracted to the

If the Community failed to rise to challenges of helping Eastern countries modernise their economies, reform their political systems, or indeed of tackling the division of Germany, the EC "will break apart or see its momentum halted."

My Delows said he heared the Mr Delors said he hoped the European summit in seven weeks' time in Strasbourg would set in train the adoption

mivate investors — and it was they who appeared to lead Monday's selling — are quick to take flight. Thus, reckons Mr von Rosen, both the stock markets and companies them-selves have much to do in the field of investor relations to and ratification of a new treaty on economic and monetary union (EMU) before the end of 1992, the planned deadline for the single European market. field of investor relations to bind shareholders more closely to the market. The Commission president appears to be taking a longer than usual run at this crucial However, he pointed out summit, not only because the that in one sense Frankfurt high political stakes involved in the EMU issue, but because ture. Settlement times are of what he views as Bonn's dangerons distraction with events in the East. German much faster, at two days, than in many other countries. So it

> tial for any monetary develop-ment in the Community. Mr Hans-Dietrich Genscher, the German Foreign Minister who was instrumental in get-ting the Delors monetary study into EMU launched last year, focused much of the discussion

support has always been essen-

Thatcher economics aide joins EC debate Sir Alan Walters, who plays e controversial behind-the-scenes role in Britain as a per-

sonal aide on economics to Prime Minister Margaret Thatcher, has entered the debate over the country's future within the European Community and given qualified snpport for European Monetary Union and a common European currency. However, he remained resolutely opposed to the country's becoming a full member of the European Monetary. System European Monetary System. Report, Page 20

at a meeting between EC foreign ministers last weekend on Eastern Europe. "New mod-els", Mr Genscher said, would have to be found to associate countries like Poland and Hun-

gary with the EC.

For his part, Mr Delors did
not rule out the possibility that new links with Eastern Europe and Efta countries could be forged as part of EC treaty revisions to set np an Emu

within the Community.

Turning to British Government opposition to his monetary plans, Mr Uelors recalled yesterday that his blueprint for EMU had won broad approval from EC leaders when they met in Madrid in June.

"It only remains to construct the institutional framework", he said. Seeking to placate doubts about EMU, he stressed the federal structure of any future European central banking system and forecast that the Community hudget would never surpass 5 per cent of total public spending by the

"If there is a debate - and there should be debate - it is preferable that it should bear on what EMU will add, in economic and social terms, to the expected benefits of the big sin-gle market," Mr Delors said. He used his Bruges speech to back the benefits of the pro-posed social charter of workers rights, which will be before EC leaders at Strasbourg in December. Britain sees the charter as unwelcome interference from Brussels.

Mr Delors emphasized that "there is no plot against the nation state, no one is being asked to renounce a legitimate patriotism". Editorial comment, Page 13

Gandhi catches opposition off balance by calling elections

Prime Minister, yesterday caught the country's opposi-tion off balance by calling gen-eral elections for late next

month.

His move leaves India's opposition leaders only two weeks to agree on whether to field joint candidates against the ruling Congress party.

Observers believe the opposition groups stand little chance
of victory unless they can put
up a single candidate in most
constituencies.

constituencies.

The Congress Party held the lead according to the last extensive public opinion poll, which was carried out in August. But recent discontent over rising prices and disclosures damaging to the Prime Minister over the Bofors scandal are believed to have eroded this lead and an election could this lead and an election could

MR RAJIV GANDHI, India's after his government's defeat in the upper house of Parliament on Friday over a constitution off balance by calling general elections for late next power of local councils.

A strong plank in his campaign will be to exploit the opposition's obstruction over what is believed to be an electorally popular measure. Other factors behind his decision to go for e poll two months before he needed to include a belief that opposition divisions over resurgent Hindu fundamental-ism will make it difficult for to

agree on single candidates.

Mr Gandhi also wants a poll before his prestige and his grip on the Congress party suffer further from recent allegations his government was involved in covering up illicit payments by Bofors, the Swedish arms group, on an artillery contract worth more than \$1.2bm. The opposition sought to take the initiative yesterday in

Mr Gandhi's action in calling early elections showed that tensions within the Congress party had reached breaking point.

The elections, to be held on

November 22 and 24, will exclude Assam, with 14 seats, where there are continuing security problems. If the out-come is close, a final result could still await a later poll in

In the 1984 election Mr Gandhi won almost three quarters of the seats in the lower house - a result widely seen as reflecting a sympathy vote in the wake of the assassina-tion of his mother, Mrs Indira

The main issues of the campaign will be Mr Gandhi's leadership, rising prices which have most harmed the rural poor and the Bofors issue, which has raised allegations that those close to the Prime Minister have enriched themselves at the country's themselves at the country's

expense. Gandhi's fight, Page 4

the wake of the announcement. Mr V.P. Singh, leader of the National Front coalition, said CONTENTS

Egypt sets out to reform its loss-making public sector



Egypt'a parious economy is encouraging ilvely debate about reform of the country's unwieldy public sector. President Hospi Mubarak has already set his slights on one example of the sort of enterprise that can no longer be supported

Page 19 Arta-Reviews World Guide Commercial Law 13-16 Editorial Comment _____ 28-30 Euro-options _____ Ireland: Flahermen are fed up with that sinking Kenya: Painting a picture of success ----Management: Preaching creative change11

Editorial Comment: Commonwealth agenda; Blurred vision of Europe Setting up in the UK: Welcoma! Pleasa forgive the mess

Third World Debt: Day of reckoning has Technology: Great balle of fire

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E German party tries to stem protest tide

COMMUNIST PARTY officials in Leipzig and Dresden, the scene on Monday night of the biggest outbarst of protest against the East German regime for 35 years, are engaged in a desperate heartsand-minds campaign to stem the unrest and prevent it spreading northwards.

But on first indications, the effort appeared to stand little

prospect of success. Senior party officials in both southern cities visited factories yesterday in an attempt to deal with rising labour unrest. They were confronted by truculent workers whose demands sounded increasingly like

AN OFFICIAL British report

on the wartime activities of Dr Kurt Waldheim, the Austrian

President and former United

Nations secretary-general, has cleared him of responsibility

for the execution and mistreat-

ment of British and Common-wealth prisoners during his

service as a German Army

lieutenant in the Balkans. The Ministry of Defence re-

opened inquiries a year and a

half ago following a report by an international commission of

By David White, Defence Correspondent

those of the protesters in the two cities on Monday night. The Leipzig party newspaper, Volkszeitung, admitted that talks between party offi-cials and workers were revealing "pent-up contradictions and hardened positions". Medi-

cal staff at a Leipzig hospital said they walked out on a meeting with a party official. Pastor Christoph Wonneberger, a militant Leipzig church-man, said he feared that if the polithuro did not soon introduce thorough "structural reforms" the demonstrations could escalate and take a more

As was clear from the slo-

historians which found that that Dr Waldheim had lied

radical turn.

leadership.
One elderly marcher cited Markist playwright Bertolt Brecht's biting remark after the 1953 East German uprising: "If the leadership doesn't like the people it should elect a

new people."
In Dresden, which 1 also visited on Monday night, some 20,000 people gathered in front of the town hall to demand that the mayor, Mr Wolfgang Berghofer, appear. They

was later destroyed or cen-

100,000 people in Leipzig on

Monday, many protesters are broadening their demands to

call for free elections, not just the overthrow of the orthodox

gans chanted by more than wanted the official reply to demands made by citizens'

groups last week.
Another 8,000 Dresdeners attended two packed meetings in the Church of the Cross in the hope of obtaining informa-tion. But the mayor did not appear and the Church, which took part in the talks, said it would inform the population

yesterday evening. Mayor Berghofer told a news conference late on Monday night that the demands for political reforms had now been put in the "hands of the City Assembly." However, a young man waiting for a tram in a complained loudly: "People have had enough and won't stand for these delaying tactics much longer." Others around him shook their heads in

An article in the Volkszeitung yesterday did little to assuage popular demands for press freedom. It noted that despite the dialogue which had begun in Leipzig, "tens of thousands" of people demonstrated. A senior Leipzig district party official, Mr Jochen Pommert, was a ported as seving "on, was quoted as saying "our party pledges changes and wants them. The street is neither the place nor the way to get them."

knock but manages to stay on his feet By Quentin Peel in Moscow AGAIN,

Battling Boris takes

Nikolaevich Yeltsin, the bull in the china shop of perestrolka, is in the centre of a rumpus. This time, he stands accused by no less than Mr Vadim Bak-atin, the Interior Minister, of inventing a story about an attempted kidnapping and sination, and then retracting it and asking the police not

to report the incident. Mr Yeltsin first publicly admitted that no such attempt had taken place, and then yes-terday denounced the story as a Kremlin smear attempt. Less than a month ago he

was the centre of another extraordinary row, when Pravda, the official organ of the Communist party central committee, stooped so low as to print a story from the Italian newspaper, La Repubblica, claiming that Mr Yelisin was ciaming that Mr Yeism was drunk throughout his recent lecture tour of the US. Pravda and La Repubblica were both accused of smear

tactics and forced to apologise. Then Soviet television ran an extended documentary about Mr Yeltsin in America, showing him apparently very tired and emotional when he came to deliver his keynote lecture at Johns Hopkins University.

Not only that, but to the horror of many of his warmest supporters, the film clips from US television stations showed him being highly critical of his country to a foreign audience. Mr Yeltsin remains both hugely popular to the man in the street, and a deeply equivo-cal figure in the radical reform

movement. As an important party leader first in the Siberian city of Sverdlovsk, then in Moscow itself, and as a junior member of the ruling polithuro — he was frequently accused of arrogance and high-handedness, even if in pursuit of reform rather than propping up the

old party structure.
His political judgment has been questioned both by his been questioned doth by his allies and his opponents. He lost his jobs in the politburo and the Moscow party after a full-frontal assault in Novem-ber, 1987, on Mr Yegor Ligachev, the leading conservative in the politburo, and by

implication on Mr Mikhail Gor-bachev, his own protector. Yet it was the very fact that the apparatus denounced him that has made Mr Yeltsin so that has made Mr Yensin so popular. He has maintained that position by hammering away at party privileges, conscious that his support is a function of what he is opposed to, not what he stands for.

He made an emotional appeal to be reinstated at the 1988 party conference, which included the resounding words:
"The untouchability of the authorities and the infallibility of leaders are intolerable and impermissible in present-day conditions."

Many see him as a radical figurehead essential for Mr Gorbachev to maintain his position in the middle of the political spectrum, with Mr Ligachev on his right.

However, he does appear to have come under increasing pressure in that position, and to have been behaving as if in acute stress. The latest inci-dent in which he walked soaking wet to the police to report his attempted assassination, and then retracted the story, would appear to confirm that.

Yet the very fact that the story was publicly announced – and broadcast on the televi-sion news – by the Interior Minister is likely to make the ordinary-Soviet citizen deeply suspicious.

They will simply see him as. again. The more the authorities seek to knock him down, the more popular, merited or not, he will become.

Shift in Moscow's views on human rights

By John Lloyd

A "SHIFT in perspective" on human rights is now evident on the part of Soviet authorities, according to Amnesty

But detention and arrests on ounds of conscience and dissent continue, and legislative change is slow and patchy.

Amnesty's 29-page report* depicts a system partially reformed by new commitment to human rights and interna-tional norms, but partially in thrall to practices dating to a time when the authorities gave priority to social and economic rights and rejected international human rights

monitoring as interference." The team who drew up the report notes it knew of 837 political prisoners given early release since February 1987, with a further 79 discharged with a further 79 discharged from compulsory confinement in psychiatric hospitals; political arrests had "fallen noticeably"; 600 prisoners known to Annesty at the end of 1986 to be suffering for exercising human rights had shrunk to 90; and a review, explicitly aimed at bringing Soviet law into conformity with human standards and making it sovereign within the state, had been

dvertised. The team found intense debate on the nature of the legal changes within Soviet governing circles, and a "growing number of legal experts (who) have accepted the priority of international

The charge of "circulating anti-Soviet slander" has fallen virtually into disuse; and reli-

virtually into disuse; and rei-glous believers enjoy a free-dom unknown for 70 years. Unreformed areas of the law remain large. Amnesty is still-working on behalf of about 90 prisoners "whom it knew or suspected were imprisoned for non-violent exercise of civil rights"; arrests are still being made, particularly in the Ukraine, for expressing peace-ful dissent; a number of those arrested have alleged beatings, and ignorance of civil rights is

The proposed constitutional changes have yet to come before the Supreme Soviet and many have yet to be drafted.

The more liberal ideas "appear to meet hitter resis-tance from some Ministries." Little discussion was found on abolishing the death penalty, and it was feared the Soviet prison-regime may become harsher.

*USSR: Human Rights in a Time of Change. Amnesty International, 1 Easton Street London WCIX 8DJ

Ozal throws his hat into Turkish presidential ring

By Jim Bodgener in Ankara resign en masse in protest at Mr Ozal's impending elevation. But even Mr Suleyman Demi-rel, the DYP leader, admitted

MR TURGUT OZAL, the Turkish Prime Minister, yester-day declared himself a candidate for President. The vote is by members of parliament, and given the commanding major-ity of his Motherland Party (Anap), he looks set to succeed

President Kenan Evren.
The opposition parties have protested that the Premier lacks a popular mandate, citing widespread discontent over inflation and recent opinion polls which put support for

Anap at under 14 per cent.
Leaders of the the two main opposition groups, the right-wing True Path party (DYP) and the Social Democratic Populist party (SHP), reaffirmed yesterday that their deputies would be proved the vote. would boycott the vote.

Mr Ozal is expected to be elected in a third round of voting on October 31, when a mg on october 31, when a straight majority suffices, according to the constitution.

Prof Erdal Inonu, the SHP leader, said his party would

The main question now is who becomes the next Prime Minister and chairman of Anap. The current favourite is Mr Ekrem Pakdemirii, the Finance and Customs Minister. From

recently that there was no con-

stitutional way to stop Mr Ozal

being elected.

the right of the party, Mr Pak-demirli is also a technocrat turned politician, having overseen the export drive in the mid-1980s. Observers say he would be welcomed in the West as a figure with a strong commitment to maintaining the decade-old economic liber-alisation programme.

Diplomats said there was still some danger that Anap might split. But on balance, the main factions within the party are believed to be willing to rally round an acceptable

Peugeot strikers greet pay offer with anger By William Dawkins in Paris

hold meetings soon to consider whether its deputies should

THE STRIKERS who have crippled production at Peugeot's two biggest assembly plants for seven weeks will this morning vote on the manage-ment's final offer in the worst wage dispute in the carmaker's history.

Peugeot made its complex offer, designed to bring the big-gest rises to the lowest paid, at midnight on Monday after two days of discussions with the seven unions involved.

The offer is worth 9 per cent to the 690 poorest out of the French group's 59,000 workers, but tails off sharply further up the wage scale, said a Peugeot spokesman.

it was received with anger and disappointment at the Mulhouse and Sochaux plants in north-east France where 4,600 workers were yesterday reported to have stopped work, a large increase on the 1,000 or so on strike before the talks opened at the end of last week.

NY 10022.

Financial Times (Scandinavia) Lid. Ostergade 44, DR.-1100 Copenhagen-K. Dammark. Telephone (01) 13 44 41.

By yesterday morning, Peu-geot production was 53,000 cars behind schedule, 3.8 per cent of this year's planned output of 1877m vehicles.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main, Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SEI 9HL. 9 The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and halidays. US subscription rates \$365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER. REM address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

- in terms of how much weight they are prepared to lug about or the computer features they can live without, or the premium they are prepared to pay for portability. The first manufacturer to come up with the right combination of features will be a big winner." FINANCIAL TIMES TECHNOLOGY PAGE 26.9.89

sored in order to protect Dr Walheim. It denies that he was about the deportation of Greek Jews to concentration camps. sought by the UK for war crimes investigations. The report covers the cases Mr Archie Hamilton, the armed forces minister, said yesterday the investigation had found "no evidence from of dozens British and Commonwealth servicemen captured in which guilt of a war crime could be inferred." The Govbelieved to have been executed under an order to exterminate ernment, he said, accepted the

UK report clears Waldheim of wartime executions

Allied troops involved in comreport's findings.
The report also rejects allemando operation It says Dr Waldheim was a gations that British material

being involved in interroga-tions. He was, however, aware of "the decisions that were made as to the eventual dis-posal of Allied prisoners brought to Salonika for interrogation by the Headquarters' staff." This included the transfer of prisoners to the Sicherheitsdienst (Security Service) for "special treatment," mean-

But it says his position "was

"... portable buyers are still being forced to make compromises

Hitler's Army Group E.

In Washington, the Justice Department that despite the finding that Dr Waldheim was not responsible for the execution of the commandos, he would still be benned from

would still be banned from entering the US.

Mr Neal Sher, head of the Office of Special Investigation which looks into Nazi war crimes, also said: "The notion that Waldheim has been exonerated is absurd."

French feel state sector needs more muscle to fight its corner Eta death threat

By William Dawkins in Paris

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AN INTENSE debate is going on in the Freuch Government over how to help state-owned and controlled companies hold their own in the current wave of international takeovers.

Mr Roger Fauroux, the Industry Minister, is seriously worried that France's Government-controlled companies, which produce about a third of the country's industrial turnover, lack the financial muscle to fight on equal terms in the worldwide frenzy

of mergers and acquisitions.

Their room for manoeuvre has been limited by the refusal of President François Mitterrand to countenance either fresh privatisations or nationalisations since the Socialists returned to power last year. But now, the debate on just how far the state shareholder can afford to go, subject to its own budget limits and to EC state aid rules, is moving towards cen-

The options being considered have produced a flurry of rumours in recent weeks, watched anxiously by Mr Pierre Bérégovoy, the Finance Minister, who wants to minimise state

intervention, and by the European Commission, which is conducting a fresh crackdown on state aid.

One potentially controversial idea being studied in the Industry Ministry is for the Government to use its credit rating to borrow on world markets for rating to borrow on world markets for on-lending at advantageous rates to state-coutrolled companies. Such assistance would be no more than any powerful shareholder has a right to provide, industry officials maintain. That will not stop the Commission's competition authorities from taking a very hard look at such a scheme, say EC competition officials, who never-

theless strongly deny French suspi-cions that they bave deep doubts about the whole principle of state

ownership.

Another possibility is to make more use of surpluses in the annual state budget, under which Mr Fauroux has asked for FFr500m (£50m) for Bull, the state-owned computer maker, which has just agreed to pay up to \$635m (FFr4hn) for the computer business of Zenith in the US.

Zenith in the US.

The full Government's ruling on Bull will not come before the end of next mouth and the timing of any decision on longer term funding for state-owned companies, like the sovereign loans scheme, is very uncertain, say industry officials.

Businesses like Bull, Pechiney, the aluminium producer, and Remault, the car-maker, have debts well over 100 per cent of shareholders' funds, even after receiving enormous state loan write-offs — FFr12bu in Renault's case.

Case.

The car industry has special prob-

Isle of Man. The weather again

was good. No distress call was received. All five ou board were lost. Several boats have reported sudden "freak waves" which they believe have been caused by the wash of the

300-400 foot long nuclear sub-

periscope had crasbed np through the keel of his boat.

In 1983 a Franch trawler sank in good weather off the wood in Middlesex, says that

Irish fishermen at Irish fishermen at Commodore Paul Hoddinott, a ban on all submate in the Irish Sea.

group, in the process of preparing for the launch of high definition televi-sion; or Pechiney, about to spand FFr4.5bn on a new smelter, only just

sion; or Pechiney, about to spain FFr4.5bn on a new smelter, only just after digesting the \$1bn takeover of American National Can (ANC).

Of course, the state already does provide. The current year's budget contained FFr4bn for contributions to the capital of state companies (as opposed to Renault-style debt write-offs) of which FFr1bn went to Pechiney and FFr50m to small business creation schemes.

The figure rises to FFr4.7bn in the 1990 budget, provisionally earmarked for new technologies, including Thomson's entry into HDTV. Even so, this is very small beer compared to the real investment needs, maintains the

cannot be blamed for every-thing. "We are as concerned

and puzzled about some of these unexplained sinkings as

anyone else. We don't cover up any submarine encounters. We examine all incidents that are

brought to our attention and respond

Irish fishermen are uot satis-fied. The IFO's Mr Doyle wants a ban on all submarine traffic

lems, but others need cash badly at a time when the markets for their products are changing very swiftly: like the Thomson defence and electronics can raise cash through rights issues. can raise cash through rights issues.
But here again they are limited by the facts that the state cannot subscribe pro rate for more share it. pro rata for more shares than private investors and that they cannot issue more than 25 per cent of their capital

as non-voting stock.
Some have found ingenious ways round this. Pechiney, for example, was forced to float its international activities last year to raise FFr5.3bn to help the ANC deal. Industry officials are worried that this kind of manoeuvre is costly and cumbersome enough to put state-owned companies at a disadvantage against independent

bidders. But the billion franc question is whether they can convince Mr Béré-govoy and then win over the even tougher EC competition anthorities.



Ireland

sours election

By Peter Bruce in Madrid

CAMPAIGNERS for Spain's general election, hitherto a somewhat flippant and trite affair, have had a chilling reminder of the threats to democracy in the form of a pledge by Basque terrorists to kill engineers and managers

building a new motorway.

The threat to the highway between San Sebastian in the Basque country and Pamplona in the Navarra region was pub-lished in Egin, a newspaper sympathetic to the separatist

group, Eta.

The five main democratic parties in the two regions have said they will terminate all debata with Eta's political wing, Herri Batasuna, unless it condemns the threat.

In the middle of a campaign marked by personal insults, wild accusations and unrealistic promises, the terrorist challenge has briefly united the ruling Socialists, the rightwing People's Party, the constitutional Baseue Nationalist, and the left-wing retionalist. and the left-wing nationalist group, Euskadiko Ezkerra.

The road will vastly improve links between Navarra and the Basque country, and Mr Gabriel Urralburru, Navarra's

chief minister, has argued that Eta is simply out to destroy the region's economic development. "Poverty remains the best weapon of fanatics," he says. Eta claims it is acting in support of an environmental

campaign against the road.

The separatist movement demonstrated its ebility to attack economic targets in 1981 when it kidnapped and killed the chief engineer on the Lemoniz nuclear plant near San Sebastian. But in the last few months it has been damaged by important arrests, and it appears that the Govern-ment is about to secure the extradition of some of its lead-ers from Latin America.

Those Eta cadres who remain at large appear to have little political muscle left in the Basque country. Recent shootings and bombings have shown signs of poor planning

and desperation. The election on October 29 will prove or disprove that theory. Herri Batasuna has five seats in the Cortes in Madrid, which it refuses to occupy, baving won 231,772 votes, or 1.15 per cent of the total Span-ish vote, in the last election.

Ireland's fishermen fed up with that sinking feeling

ings. In 1982 a 30-foot yacht was hit by an underwater object in the Irisb Sea. The

yacht sank. The owner said a periscope had crasbed no through the keel of his boat. In 1983 a Franch trawler

NE BRIGHT April
morning this year the
Laurel, an Isle of Man
trawler, was fishing in the
lrish Sea. Suddenly, strange
things ctarted barmoning

things started happening.
"We were trawling for prawn
when I realised the whole vessel was moving backwards,"
said Mr Geoff Comber, the
skipper. "I just couldn't believe it at first. According to our equipment, we were going astern et 3.6 knots. We are well accustomed to getting our gear

Kieran Cooke reports on some large and unwelcome catches in the nation's nets

caught on the bottom, hut there isn't anything on the bottom which is going to tow you backwards at three and half

A submarine had snagged the Laurel's nets. After half an hour of being pulled helplessly about, the stern of the Laurel was getting dangerously close to the water line. The only alternative to heims the grand alternative to being dragged under was to cut more than £3,000 worth of nets.

The US Navy later admitted responsibility. A spokesman said that, at the time of the incident, there was no indication on board the submarine of what tree hearning.

what was happening.

The Irish Sea is alive with submarines. The area, called "submarine alley" by fishermen, is one of the main routes out of US and Royal Navy submarine bases at Holy Loch and Fasiane on the west coast of Stratland Many of the submission. Scotland. Many of the submatrines are nuclear powered, half the length of a football pitch, the height of a two-storey house. French and Soviet submarines on their way to and from the North-Sea also use the Irish Sea regularly. Fishermen and yachtspeople

are becoming alarmed about what they feel is an increasing threat from the deep. The Brit-ish Ministry of Defence says that since 1979 there have been

lower budget

sonar device which the subma-rine had been towing. Fisher-men are now lodging a com-legian trawler sank off the Fishermen and yachtspeople have blamed submarines for a numbar of unexplained sink-

US says its been involved in two snagging incidents.
Fishing and yachting associations feel the official figures are underestimated. Mr Frank Doyle, of the Irish Fishermen's Association (IFO), says submarines act as a law unto them rines act as a law unto them-selves. "The whole thing with submarines is secrecy. They don't announce where they are or what they are doing. Ireland isn't in Nato and hasn't the clout to tell these people to the graduating lives.

stop endangering lives. The first significant incident in the Irish Sea involving a submarine was in 1982, when the Irish trawler Sharelga was dragged backwards for several miles before sinking. The Royal Navy submarine involved, HMS Porpoise, did not stop. The Sharelga's five crew were eventually rescued by other fishing beats.

hy other fishing boats. The IFO says that at first the British navy denied responsi-bility for the incident. Four of the Sharelga's crew were finally given compensation by the British Defence Ministry

last year.
Under international law, for-eign warships are allowed the right of innoceut passage through the territorial waters of another state. Submarines are required to travel on the surface and to fly national flags, Irish fishermen say the law is frequently flouted. Last April an Irish Navy

patrol boat sighted a subma-rine inside frish waters. It was not flying any flag. The subma-rine 'was 'chailenged' and hoisted the US ensign. In September the Dublin Government called in the Brit-ich ambassador to avvesse its

ish ambassador to express its "deep concern about the danger to life and property" posed by submarines following an incident in which a British nuclear submarine on a Nato exercise dragged an Irish trawler astern. In this case the trawler managed to claim some booty, hauling in a three tonne

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deficit again By Judy Dempsey in

Austria to

AUSTRIA'S budget for next year, presented to Parliament yesterday by Mr Ferdinand Lacina, the Finance Minister, aims to bring down the net federal deficit to 3.5 per cent of gross domestic product. The deficit reached a peak of 5.1 per cent of GDP in 1887.

Mr Lacina said the Socialist-led coalition Government was now within its target of reducing the deficit to 2.5 per cent of GDP by 1992.

Total expenditure for next is estimated at Sch549bn (£26.5bu), an increase of Sch20.2bu over this year. Income is expected to increase by Sch23.5bn over the same period following the recent tax reform which abolished tax exemptions, and broadened the tax base while cutting top

The Government's attempts at consolidating the budget coincide with a continuing expansion of the Austrian economy which is expected to grow in real terms by 4.2 per cent this year and 3 per cent in 1990.

ACCOUNTANCY

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FINANCIAL TIMES

Lisbon aims to maintain rapid growth

By Patrick Blum in Lisbon

PORTUGUESE Government yesterday
unveiled a budget for 1990
which aims to maintain one of
Europe's highest growth rates
while curbing inflation.
Mr Miguel Cadillie, the
Finance Minister, said the budget was "neither expansionist
par contractionist." Credit.

nor contractionist." Credit, nor contractionist." Credit, which was tightened in March to curb demand and rapidly rising inflation, will remain strictly controlled. The economy is expected to grow at a 4 per cent rate, slightly above that for this year. Inflation should fall from 12-13 per cent. The budget deficit is forecast to grow from an expected Esc435hn (£1.75kn) this year to more than Esc601hn (£2.4hn) next; about 7.5 per cent of the gross domestic product,

next about 7.5 per cent of the gross domestic product, roughly the same as in 1989.

Mr Cadilbe said the government deficit was entirely due to interest payments of Esc737hn on public debt, without which there would be a surplus. That covernment surplus. Total government spending will rise by about 15 per cent to Esc2,554hn, with fiscal revenue set at Esc1,796bn. The Government is setting high priority on edu-cation and health which will

absorb almost 39 per cent of total spending. Infrastructure and investment in general public works will also be given a boost in an attempt to speed up the country's modernisation and inte-

gration in the EC. Mr Cadilhe expects financial inflows from the Community to reach about Esc230bn next year, compared with Esc175bn this year.

A small tax reform will reduce the burden for families by about 20 per cent. The Gov-ernment nevertheless hopes that the reform will improve tax returns and help raise fiscal revenues. It will also benefit from further sales of stateowned assets, forecast to reach Esc150bn next year.

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ANC man rules out 'guarantees' for whites

By Patti Waldmeir in Johannesburg

MR Ahmed Kathrada, one of the African National Congress leaders released last weekend in South Africa, yesterday ruled ont guarantees for minority rights in a future constitu-

in one of his first interviews since his release from 26 years in prison, Mr Kathrada said yesterday that he did not see the need for such guarantees. The ANC has always held that

these are unnecessary.

"The fear of domination (among whites) is an unfounded fear, a fear for which this government is responsible," Mr Kathrada said, adding that the ANC's political programme was non-

"I have no doubt that there is absolutely no need for any minority guarantees so long as we can convince the people of Sonth Africa that the ANC stands by its stated policies." stands by its stated policies.

Pretoria has given a cautious welcome to public comments made earlier by some of the eight ANC men since they were freed, incinding those made by Mr Walter Sisulu.

Mr Gerrit Viljoen, the Minister whose portfolio includes attempts to bring black South Africans to the negotiating

Africans to the negotiating table, said yesterday he was willing to confer with Mr Sisulu and other ANC leaders over pre-conditions for negotia-

Mr Viljoen's views, put forward in interviews with a number of local newspapers, were more conciliatory than previous statements hy the Government on the question of negotiations with the ANC. The ANC was obviously not ruled out of talks, he said, so long as they "distance them-

the release of the eight prisoners was meant to "test the waters" before the Government could consider other steps to normalise the security and political situation".

Mr Kathrada, who spoke to Mr Kathrada, who spoke to journalists along with Mr Andrew Mlangeni, another released prisoner, ruled out the creation of an internal, political wing of the ANC, which might be allowed to operate legally in the country while the military wing of the ANC in evile remained harmed in exile remained banned.

Pretoria was attempting to divide the movement by sug-gesting that it might split into internal and external groups,

the two men argued. There is only one ANC, and we have reason to believe that it already operates in Sonth Africa," Mr Kathrada said.

Attempts to divide the movement into one group led by Mr Nelson Mandela — the jailed ANC leader who is viewed by Pretoria as a more moderate force - and another led by someone else were bound to fail, Mr Kathrada said.

However, it has become clear recently that some divisions already exist within the movement, especially over the issue of the talks Mr Mandela has held with government minis-ters, and with former President P.W. Botha, while in prison.

Angolan peace hopes rise after talks in France By George Graham in

HOPES of a renewed dialogue over the conflict in Angola have been kindled after talks over the weekend between the different parties and President Mobutu Sese Seko of Zaire.

All sides have maintained complete silence over the contents of the talks, held at the Zairean President's seaside villa in the south of France, hut diplomats said that Mr Mobutu appeared once again to have been accepted by Unita. the resistance movement led by Mr Jonas Savimbi, as mediator in the conflict.

Mr Savimbi had originally been due to remain in France until the end of this week, hut left early yesterday for Africa. This hastened departure is understood to be due to the success of the contacts.

Besides Mr Savimbi, Mr Mobutu met Mr Pedro de Castro van Dunem, Angola's For-eign Minister, Mr Herman Cohen, US Assistant Secretary of State for African affairs, and

Mr Pik Botha, the South African Foreign Minister. An agreement had seemed to have been negotiated between the Angolan Government and Unita at a summit meeting at

the growing political opposition. Gbadolite in Zaire in June. Mr election next year has led to more demands for a genuinely Savimbi, however, quickly contested the interpretation placed on the ceasefire terms.

Democratic Party (PDCI) has Mr Cohen, the US assistant held power for the 30 years secretary, said in Paris yester-day that his country, one of since independence. President Houphouet-Bolgny the principal backers of Mr has relied on national debates, Savimbi, had encouraged Unita called "dialogues", to allow criticism of policy from the country's professional bodies. to continue to work with Mr Mobntu towards a ceasefire. He warned however, that It was in one such debate last month that the size of the US was ready to continue to support Mr Savimbi until government was also criti-"national reconciliation" had cised by 20 ont of the 23 been achieved in Angola.

Gandhi marshals his forces in battle for survival

David Housego explains why the beleaguered Indian Prime Minister has decided to call an early general election

HERE WAS almost a tangible sense of disbelief in Delhi yesterday morning as word got round that Prime Minister Rajiv Gandhi had called a general election for late November. All political forecasters, including the opposition, believed that Mr Gandhi had planned to hold on as long as possi-ble - at least until the end of the year and possibly into January or Febru-

ary.
Mr Gandhi appears to have to have decided on an early poll on Thursday as his government faced the prospect of defeat in the Upper Hause of Parliament over what he House of Parliament over what he considered an electorally popular measure to provide more decentralis-

measure to provide more decentralis-ation at village level.

Opposition members said yester-day they believed the main reason why Mr Gandhi had accelerated the electoral timetable was to sow maxi-mum discord among the opposition by allowing the campaign to coincide with the planned march by Hindn militants on Nov 9 to lay the foundation stone of a new Hindu temple on the site of mosque at Ayodhya in northern India.

There is no single issue that has so enflamed communal tensions in recent years and none that has caused such division among the opposition.

The Hindu BJP party, a major component of the opposition, backs the march as reclaiming from the Moslems ground that was allegedly the birthplace of Ram, the Hindu god. The Communists denounce it as a death blow for Indian secularism. Mr V.P. Singh the leader of the opposition has taken an ambiguous posi-tion, shifting among his coalition partners in a hid to reconcile them while at the same time trying to appease the Moslems who account for 10 per cent of India's 800m popu-

lation.

The explosive issue has already caused bloodshed and rioting in several towns in the Hindi speaking belt of north India and yesterday Mr Singh appealed to Hindn militants to

call off the march.

Unless opposition parties can reach an agreement on this issue, they will not be able to agree on joint candidates against Mr Gandhi and without seat adjustments to ensure they fight Congress on a one-to-one basis they are lost.

If this seems the major reason for the timing, other factors weighed as well. The defeat of the constitutional amendment required to enact the

Panchayat (village decentralisation) bill clearly gives Mr Gandbi the

illnesses on policies that improved micro-economic man-

agement and decentralised

decision-making, but neglected

the macro-economic and ignored centralised controls,

resulting in chaos in market-ing and distribution.

A Western diplomat said this

was a clear criticism of former Communist Party chief Zhao Ziyang, who was in charge of

the economy as premier from 1980 to 1987 and dismissed in June after being accused of splitting the party and supporting student-led protests that were put down with tanks and treats

an effort by the current leader-ship to distance themselves from inflation and economic

corruption, key targets of public discontent, by blaming them on Zhao," the diplomat

Official figures give little cause for optimism, Capital investment fell in the first half

over the same period in 1988 hut the drop was less than 10 per cent of the targeted cuts for the whole year.

end of June was 35 per cent

more than a year earlier, far

higher than the increase in

output. Such an excessive

increase in money supply has been one of the main factors in

Gadaffi's turn

By Tony Walker in Cairo

to fete Mubarak

THE Egyptian and Lihyan

eaders yesterday continued

their cross-border summit festi-val when President Hosni

Mubarak travelled to Tobruk in Libya for further reconcilia-tion talks with Colonel Muam-

The soherly-dressed M

Mnharak was warmly embraced by a white-suited Col

Gadaffi when he arrived at the Tobruk airbase. It was the first

visit to Libya hy an Egyptian

leader in 17 years.
"One people, not two from
Marrakesh to Bahrain,"

shouted a large crowd on Mr

Mubarak's arrival. "Yes — one people," the Egyptian leader reportedly responded. The two leaders met on Monday at the resort town of Mersa Matruh

near the Libyan border. The

meeting marked a further improvement in relations between the neighbors. As yet,

there has been no word on a resumption of diplomatic ties.

fuelling inflation.

mar Gadaffi.

Money in circulation at the



chance to campaign on obstruction

by the opposition - but the issue is too technical to carry many votes. More important, Mr Gandhi had good reason to fear he could be fur-ther damaged by continuing public-ity over Bofors. A snap poli puts paid to that.

Few doubt however that this is a campaign in which Mr Gandhi is fighting for his political life in an election that will be as closely

Whatever the ontcome, the shape of government is likely to be different from the centrally controlled, personal style that has marked the administrations of Mr Gandhi and his mother. Mr Gandhi cannot hope to repeat his 1984 landslide.

If he wins it is likely to be with a

small majority leaving him more dependent on the regional party berons. He could equally find Congress the largest single party but in need of partners to form a government.

Against the Congress is an opposition different from the one it has faced before. The Janata party that defeated Market Gandhi in 1977 - the congress has been besten only time Congress has been beaten electorally was a national party. Its successor, the Janata Dal that Mr V.P. Singh heads is a northern farmers party. Its allies in the National Front coalition are also regional based parties. Even the Communists are increasingly confined to regional strongholds like West Bengal or Ker-

Mr V.P. Singh has held this boat-load together much better than anybody expected him to earlier this year. But though recognised as leader, he still does not have the authority to enforce his claims to be

fought as any in India's post inde- Prime Minister in the event of an dards of the rural poor. opposition victory. He said yesterday that the Pre-miership would be decided by "dem-

ocratic processes". In other words an opposition victory would give India coalition rule as well - and one whose stability was uncertain. Most observers expect the cam-paign to be a violent one. The possi-bility that it will coincide with the

Ayodhya march carries the real risk Ayodhya march carries the real risk of communal conflagration in northern India. But apart from that politics has become more violent, more associated with crime and with abusive language. The last Parliament ended with the mass resignation of the opposition at Mr Gandhi's refusal in stan down over the Bofors. refusal in step down over the Botors scandal and such an extreme gesture in a sense set the stage for what was

in a sense set the stage for what was to follow.

Mr Gandhi's strong card is still the image of leadership and continuity provided by the Nehru family name. His campaign will concentrate on the risks of instability and increase in communal tension that an opposition victory could bring. He has difficulty in emphasising the stronger economic expansion of recent years because it has been accompanied by increased inflation that has eaten into the living stan-

The opposition will focus its cam-paign on rising prices and the Bofors issue as a symbol of a government lining its pockets at the expense of the poor. Its major difficulty is to project Mr Singh as a national figure able to keep his coalition partners

under control. Notwithstanding the likely hitter-ness of the conflict, there is no major difference between the two sides over economic policy. Many opposi-tion leaders are old Congress hands-like Mr V.P. Singh himself a Finance Minister under Mr Gandhi - and advocates of further economic liberalisation. The major policy difference is that the opposition would give far greater decentralisation to the states.

The husiness community remains remarkably unperturbed by the outcome of the election. It believes economic liberalisation has achieved a momentum that cannot be reversed and any future government will need to give more scope to the private sector to achieve higher growth. Its main worry is that an opposition victory could herald a period of instability with disruption to rail or electricity supplies that would be damaging to the smooth running of the economy.

China's runaway economy slows

A TOUGH austerity policy this year succeeded in slowing China's runaway economy, but it will take at least three years to put the economy back on course, the Government said yesterday, Reuter writes from

Peking.
The People's Daily quoted Yuan Mu, spokesman of the State Council, China's Cabinet, as saying industrial output grew in the first nine months by 8.9 per cent from the same period last year, down from 17.7 per cent in 1988 over 1987. Inflation is falling, the grain harvest this year will be at least 3.5m tonnes more than last year and soaring capital investment has been slowed, all helping to create greater stability than expected, he

Inflation climbed to more than 30 per cent year-on-year in the first quarter, a 40-year record, before falling to 17 per cent in July, thanks to the austerity programme introduced in September last year.

But, Yuan warned that a number of problems such as low efficiency and enormous waste, runaway capital construction and an irrational structure, with loss of control in some areas, had all worsened since 1984 and would need at least three years to be

He blamed these economic

Ivory Coast

THE Ivory Coast yesterday responded to demands hy

foreign donors and the World

Bank to reduce government spending hy aholishing 10

The radical Cabinet

reshuffle cut the number of

ministries from 39 to 29 and is likely to go some way towards

satisfying creditors ahead of talks in London at the end of

the month on the rescheduling

of the country's \$14.5hn

the former Budget Minister,

was promoted to Minister of Economy and Finance. Mr

Koffi is expected to handle the

debt negotiations, with current financial needs put at

Some \$380m was made available at a donor meeting in Paris last week.

Among the main casualties of the reshuffle was the

Agriculture Minister, Mr

Denis Bra Kanon, who had held the post for 18 years, and

had been seen as a possible

successor to President Felix

He was replaced by Mr Vincennes Pierre Lokrou.

However, direct responsibility

for the country's cocoa

production is expected to

be taken over by the office of the 83-year-old

Although the reshuffle will

be seen as a sign that the

President does listen to his

critics, it is unlikely to satisfy

The prospect of a general

democratic contest. The ruling

Houphouet-Boigny.

President

Mr Moise Koumoue Koffi,

closes 10

ministries

By Mark Huband in

Abidjan

ministries.

foreign debt.

S Korea to curb rise of speculators

By Maggle Ford in Seoul

SOUTH KOREAN MPs yesterday launched a strong attack on land speculation and the inadequacies of the tax sys-tem, especially as it affects big

companies. In questions to ministers in the National Assembly, they accused several state-owned corporations charged with pro-viding housing for the under-privileged of speculating in

Mr Lee Kyu Sung, the Finance Minister, told the Assembly that the Government planned to deal with specula-tors from 1991 by demanding full disclosure of personal indentity in financial transac-

tions such as share deals.

Officials say that the computerisation of land ownership will be complete by the begin-ning of next year, enabling a new tax system to be enforced. Mr Lee stressed the Govern-ment's intention to develop a modern fiscal system to reduce the concentration of wealth in

reprimand over MiG Two Israell Air Force colonels are to be reprimended following a high-level inquiry into how a Syrian defector was able to pilot his MIG-23 fighter across the border and land in Israel last week without being challenged or intercepted, Hugh Carnegy writes from Jerusalem. Gen Dan Shomron, the Chief of Staff, said a colonel would be reprimanded for poor judgment in not ordering action against the MiG. A Lt-Col who gave an inaccurate report would also be informed

property.

The land and housing issue has assumed important politi-cal overtones in South Korea after a surge in house prices. The Government is to introduce a controversial land reform BIII into the Assembly shortly. It will include punitive taxes on property speculators. Both opposition and govern-ment MPa focused on the mability of the tax system to cope with unearned income, both from stock market invest-ment and property. The MPs expressed serious concern about the position of middleclass salary earners and the lower paid, who were having difficulty in buying their own

the hands of big companies and individual speculators, and to develop a fair and open economic system.

Israeli officers face of his error.

World body votes to ban trade in ivory

THE WORLD body controlling wildlife trade formally banned ivory sales yesterday, despite bitter objections from southern African countries which insist

African countries which maist that their elephant herds are not endangered, AP reports from Lausanne.

A plenary session of the Convention on Trade in Endangered Species, or CITES, approved without vote a commenced without vote a commenced without placed. promise proposal which placed elephants on the endangered list but also created a special panel of experts to consider exemptions in the future.

Objecting nations have three months to file reservations, allowing them to sell ivory to other CITES countries which also reserve or to more than 60 non-CITES members.

Zimbahwe took the hardest stand among the opponents of the proposals, and delegates said there was a good chance it may withdraw completely from

expected his government to file a reservation within the 90

"This would hurt us a lot," said Mr Rowan Martin, director of research in Zimbabwe's

Park and Wildlife Department.

means to us."
Mr Johannes Neethling, the

South Africa's delegate, said

the vote punished those countries which successfully managed their wildlife. He said he

But it shows how much this

Earlier, Botswana, Malawi, Mozambique, as well as Zimbahwe also announced they planned to file reservations. They claim they need the proceeds from ivory sales to maintain successful management. They were joined by Burundi which has no elephants left but has a stockwile of 86 tons of has a stockpile of 86 tons of

suspect ivory.
The Endangered Wildlife Trust of South Africa sent a statement from Johannesburg

HONG KONG TO ABIDE BY RULING

A Hong Kong government official said last night that the colony would abide by a mura-torium on ivory trading agreed on Monday at a meet-ing of the United Nations' Convention on Trade in Endan-gered Species, John Elliott writes from Hong Kong. Mr Tony Bennett, deputy director of Hong Kong's agri-

cultural and fisheries depart-ment, said the colony always followed CITES resolutions. But Hong Kong, which is the world's higgest ivory centre, wants trade in existing stocks to continue to meet residual demand. Otherwise it says the demand will be met through posching. It is awaiting a rul-ing on this from CITES.

urging that the country refused to deal in ivory. "The ivory business is rotten to the core," it said. "By continuing to trade in ivory, South Africa finds itself in the company of ruthless poachers, smugglers and criminals who will kill the last elephant in Africa to satisfy their greed...."

The plenary session followed yesterday's committee vote where the compromise formula, proposed by Somalia, received the required two-thirds majority.

thirds majority.
Under the new measure, countries may be granted exemptions from the ban if they can prove to a special panel of experts that sound wildlife management stabilised their elephant populations.

Countries granted exemp-tions would be allowed to resume limited ivory trade. But no exemptions are likely to be considered before the next conference of CITES in 1991.

UK, Malaysia sign drugs pact

BRITAIN and Malaysia to strike at where the "deadly monwealth conference, Dr yesterday stepped np their crops" were produced: second, mahathir warned that drug they had to persuade young abuse signing an agreement become no powerful which will allow for joint action in the prosecution of drug truffickers and the confis-

cation of their profits. This is the tenth such bilateral pact signed by Britain. Mrs Margaret Thatcher, the Prime Minister, said after signing the agreement with Dr Mahathir Mohamad, her Malaysian counterpart, that it formed part of a three-pronged attack. Governments had first third, they had to make certain that peddlers never believed that they could live on their illegal profits.

Under Dr Mahathir, Maleysia has adopted a stringent and sometimes highly controversial anti-drug trafficking campaign, with mandatory death sentences imposed.

At a press conference setting out the agenda for today's and even subvert individual governments. He urged the more developed nations to assist the poorer countries financially in their fight.

Mrs Thatcher said she detected a network of agreements closing in on the drug

dealers, and emphasised that because drugs had become it was vital that all countries should co-operate.

opening session of the Com-Somali army units join rebels

PRESIDENT Mohamed Stad Barre of Somalia has admitted for the first time that some of his troops had mutinied, Reuter reports from Mogadishu. His statement came as anti-government rebels accused Libya of sending troops and heavy weapons to back the

Siad Barre regime in an increasingly bitter conflict. The President told farmers meeting in the capital Mogadishu on Monday night that some government troops had "turned the barrel of the gun against those who trained and

equipped them". Without giving details, he condemned rebellious soldiers who he said were fighting loyalists in southern and northern Somalia and backing rebels of the Somali National Movement (SNM). The SNM, which is demanding political and eco-nomic reforms in the impoverished east African nation, has been fighting since 1981 to top-ple Mr Slad Barre, who seized power in a 1969 coup and turned the country into a one-

party state.
"We have been pressured to liberalise the economy. We accepted. They urged us to re-introduce a multi-party sys-tem. We accepted that idea. What else do they want from us?" he asked angrily.

The SNM has reported frequent mutinies among govern-ment troops especially in the north, where the rebels last year fought heavy hattles which nearly destroyed Har-geisa, the region's largest town. The SNM said yesterday

that Libya had sent 700 troops, tanks, armoured cars and thou-sands of tonnes of ammunition to Somalia to help the Government fight them.

The Libyan troops ... com-prise pilots, technicians, tank and artillery crews and other specialised units," said an SNM

Israeli Radio, also reporting the alleged delivery of Libyan arms, said the weapons had been rushed to government troops in northern Somalia. The SNM statement said Lih-

yan leader, Colonel Muammar Gadaffi, who in the past has not openly backed the Somali Government, was expected to attend celebrations in Mogadi-shu on Saturday marking the shu on Saturday marking the 20th anniversary of Mr Siad

NZ enjoys highest growth for 3 years

NEW ZRALAND'S economy growth in three years but economists warned yesterday that the recovery from recession would remain slow, Reuter writes from Wellington. While New Zealand's share market shrugged off Monday's heavy losses, a leading bank's decision to raise its key interest rate put another damper on economic

The Department of Statistics published figures yesterday showing Gross Domestic Product grew 2.3 per cent in the three months to June, matching growth in the June quarter of 1986. GDP rose just 0.1 per cent in the March quarter this year. But the economists said a

small consumer spending boom had distorted the figures and New Zealanders still faced a hard slog out of the recession that hit the country after the October, 1987, world

stock market crash. Mr Kevin Smit, economist at National Bank said consumers went on a spending spree in the June quarter to beat a rise in the goods and services tax (GST) on July 1. He said the next

GDP figure would be much weaker. "It's clear that the data was was very much GST-driven so you would expect that in the September quarter it will be offset," Mr Sunit said.

Kenya paints picture of success to Western donors

Julian Ozanne reports on how structural adjustment has given the economy a fillip

ENYA'S sound economic track record over the last year, the result of the successful imple mentation of the Government's etructural adjustment programme, backed by the Inter-national Monetary Fund and the World Bank, will be presented to international donors

in Nairobi today. Western donors and diplomats will be holding talks with Professor George Saitoti, Vice President and Minister of Finance, designed to follow up to last year's Consultative Group Meeting in Paris which reviewed economic progress and assessed the country's external financing needs for

In an interview in Nairobi last week, Professor Saitoti said that last year's growth rate of 5.2 per cent was achieved "because of the Government's strong commitment to firm economic and fiscal reforms and wide ranging adjustment in the industrial, agricultural and

But he warned that without continuing flows of concessional donor support, the balance of payments over the next two years would come under strain, making it difficult to keep the programme on track. A Ministry of Finance dis-cussion paper, to be circulated to the mini-donors meeting today, says savings in the economy increased by one per-centage point to 18.3 per cent in 1988 over 1987, while the corresponding investment ratio rose to 28.7 per cent. And it

financial sectors".

per cent for 1989. However, although the projected overall balance of payments position shows an improvement from a deficit of Ksh 2.09bn (£61m) in 1987 to a surplus of Ksh 830m in 1989, this masks a deteriorating current account deficit from Ksh 7986m in 1987 to Kah 1bn this

predicts a growth rate of 4.9-5.0

Much of this year's deterioration can be attributed to the collapse of the international

coffee prices, increase in the price of petroleum imports and the larger than expected growth in imports. Import growth is due partly to larger than targetted government imports, but is mainly because of the Government's far-reaching import liberalisation poli-

In order to maintain an acceptable build up in net official reserves, currently running at about 10-12 weeks of imports, the Government is asking donors to meet an additional financing gap this year of Ksh 720m.

For 1990 the Government is predicting a current account deficit of Ksh 9.16bn and an overall deficit of Ksh 3.2bn, a prediction based on continuing strong demand for imports to sustain a targeted growth rate of 5.4 per cent. The Govern-ment is therefore asking donors for additional support of Ksh 3.95bn, mostly in balance of payments support loans and grants, on top of the existing donor commitments.

Although there is a feeling that this figure may be a little high, most donors, buoyed by the Government's economic performance, are expected to make a positive response. Donor confidence has been

further strengthened by solid IMF and World Bank support this year. An Enhanced Structural Adjustment Facility worth SDR 241.4m (£195m) over three years, and a World Bank Financial Sector Adjustment Credit worth about \$120m have already been approved. The second tranche of the Industrial Sector Adjustment Credit worth \$60m is expected to be disbursed imminently following the successful conclusion protracted negotiations between the Government and the Bank over the restructuring of development finance

institutions. But donors will express some concerns today, mainly on the budget deficit. In the brief presented to the meeting the Government is predicting a deficit level of 4.6 per cent of GDP as

opposed to a target of 4.2 per cent agreed with the Bank and

The Government attributes this over-shoot to the increased public expenditure programme form the absorption of concessionary loan resources on high priority projects such as the Nairobi Water Supply and the financial sector loan. But most donors feel expenditure on these projects should have been contained within the 4.2 per cent target.

Reallocation of expenditure towards operation and maintenance rather than personnel will be stressed by most donors, as will moves to raise government revenues. But these concerns will have been ameliorated significantly by the announcement last week of a comprehensive package of nationwide hospital charges, together with donors' acknow ledgement that Kenya's high rate of population increase makes increases in public spending difficult to curb.

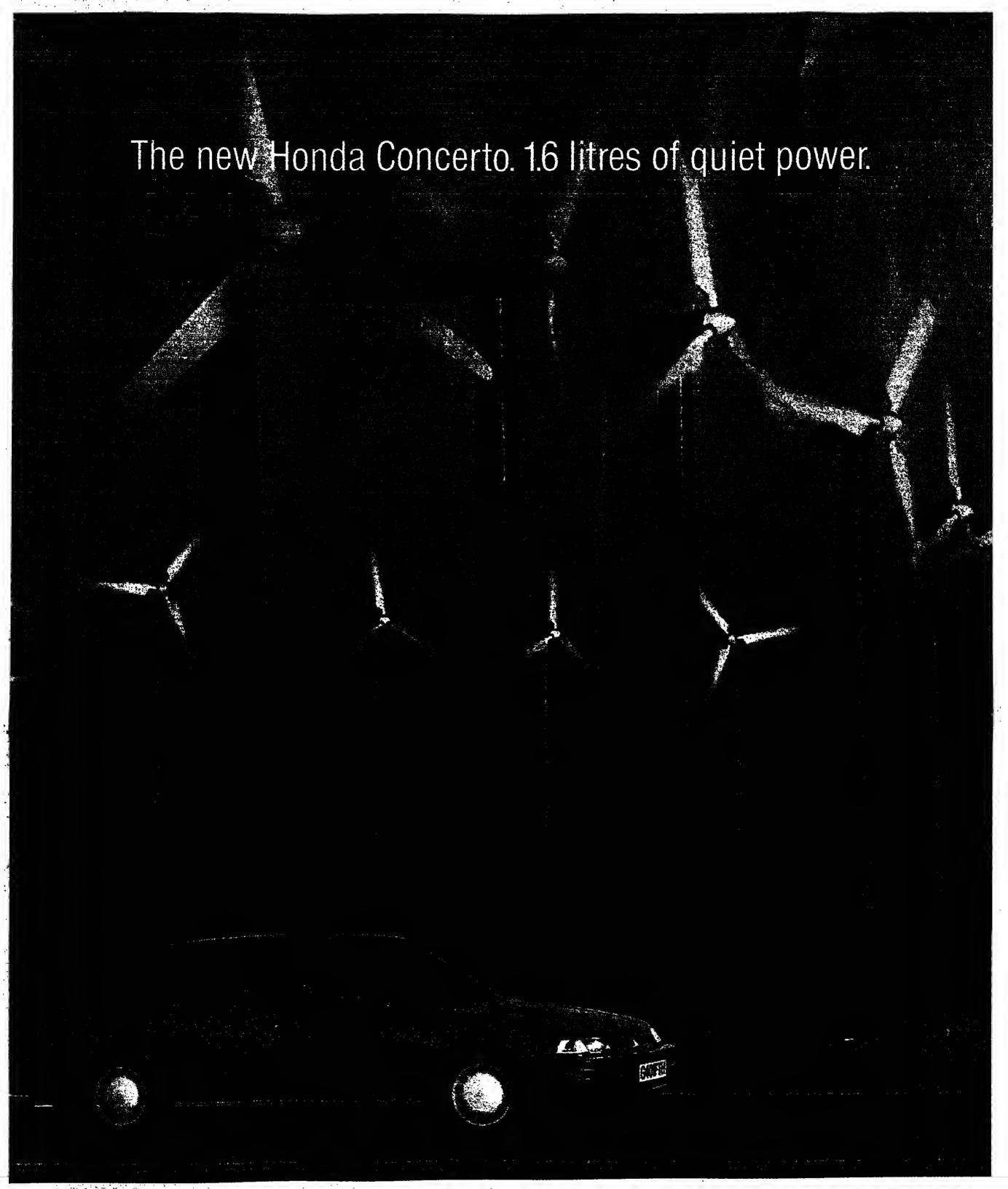
Some donors will also press

the Government on the stifling effect of price controls on industry. Although several items have been decontrolled over the last year several industries, particularly petroleum, sugar and cement are struggling against the arbi-

trary system of price increases.

Progress on private investment and the development of non-traditional exports are other issues expected to be raised. The meeting will also consider a paper prepared by the Government on development of arid and semi-arid lands and small-scale enter-

Overall most donors feel the Government has performed strongly, particularly recently and that Kenya deserves sup-port. The World Bank is expec-ted largely to endorse the Gov-ernment's economic track record and announce plans for two further sectoral loans for agriculture and industry and quick disbursing operations for the education and health sec-





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Generating power without generating noise; is it a vision of the tuture? It was a vision our engineers shared when they started designing the Honda Concerto.

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OVERSEAS NEWS

Moscow tries moving closer to Somalia

Robert Patman examines US and Soviet relations in the troubled Horn of Africa

HE reverberations of Soviet "new thinking", already being felt in Ethiopia where the Soviet Union says it is doing its utmost to promote a negotiated settlement to the Eritrean rebellion now extend to

Somana.

The embattled regime of President Siad Barre, beset by rebel activity in the north, is currently allied with the United States.

But overtures made recently by Moscow could weaken this alliance, reinforce the influence of a pro-Soviet group within the Somali Government, and may indirectly add to the pressure on Ethiopia to reach agreement with the Eritrean People's Liberation Front (EPLF) in preliminary peace talks due to restart in Nairobi on Nov 18.

An indication of the Soviet Union's apparent reappraisal of the relationship with Somalia came in August when a Somalia military delegation, led by Maslah Mohammad Stad, Chief of Staff of the armed forces and son of President Stad Barre, held talks in Moscow with the Soviet Defence Minister, General Dmitri Yazov.

This was followed up by a Soviet trade delegation to Mogadishu, as part of what seems to be e growing raprochement between the two

countries.

Until 1986, official contacts
between Moscow and
Mogadishu were virtually
frozen. The principle cause was
the Ethiopian-Somali war of

In November 1977 Somalia, angered by Moscow's refusal to support its invasion of the Ogaden, in eastern Ethiopia, expelled an estimated 1500 Soviet military advisers and abrogated the 1974 Soviet-Somali Treaty of Friendship.

As a result the USSR wholeheartedly backed Ethiopia and launched a massive intervention to inflict a crushing defeat on Somalia. After the war, the Soviets consolidated their alliance with the Government of President Mengistu Hails Mariam through generous military aid.

In August 1980, the US and Somalia signed an agreement whereby access to military facilities at the port of Berbera and elsewhere were granted to the US Rapid Deployment Forcee in exchange for American military assistance.

The Gorbachev Government, however, decided that a policy of military confrontation in the Horn of Africa could not be

Fresh emphasis has thus been placed on the political settlement of the region's conflicts. Contacts with Somalia were resumed. In November 1986 a Somali delegation made an official visit to Moscow for the first time in nine years.

In April 1988, Ethiopia and Somalia signed a peace accord. This cleared the way for closer Soviet-Somali co-operation, and in February this year, Mr Anatoly Lukyanov, a close aide of Mr Gorbachev (and now First Deputy Chairman of the Supreme Soviet) received a personal envoy of the Somali President in the Kremlin for

Then in June, Mr Mikhail Kapitsa, a member of the Supreme Soviet Committee for International Affairs, visited Somalia and discussed the question of creating joint business ventures with President Siad.

Why, then, is the Gorbachev leadership conrting Mogadishu? Soviet writers on East Africa frankly admit that the Stad Barre regime is facing a major political crisis.

In northern and central Somalia there is a fierce and destructive civil war, while the capital, Mogadishn, has recently seen large scale anti-government rioting.

anti-government rioting.

For Soviet observers,
Somalia appears ripe for
political change and presents
an opportunity to influence
that process.

A recent commentary by Mr Vladimir Borisov, a leading Soviet commentator, alluded to the "acute power crisis" in Sonalia and stated that it was the intention of the 70 year old Sonali President to hand over power to his son, Maslah Muhammad Siad, who led the military delegation to the

Soviet Union.
Other Soviet commentators such as Alexei Bukalov, who has described himself as "a Somalian old-timer", stress that there are many Soviet trained officials within the present administration who occupy responsible posts.

occupy responsible posts.

The Prime Minister, General Mohammed Ali Samantar, for example, is a graduate of the Moscow Military Academy.

In addition, the Soviet attitude may be shaped by the apparent strains in the Somali-US relationship. President Stad Barre makes no secret of the fact that he is dissatisfied with the level of

US military aid.
Washington, for its part, does not want to do anything that might jeopardise the long standing objective of luring Ethiopia away from the Soviet

Moscow's new opening toward Somali has certain risks. The main one concerns Moscow's relationship with the Mengistn government. Despite an Ethiopian-Somali

agreement this month on monitoring the 1988 accord, Mengistu is likely to be suspicious of any warming of

It comes, moreover, at a time when Mengistu has just experienced devestating defeats at the hands of the Tigre People's Liberation Front (EPLF), which now controls the province of Tigre, and the Ethiopian People's Revolutionary Democratic Front, which is active in Wollo

Soviet Somali relations.

Meanwhile there are signs of another thaw - between Ethiopia and the US - marked by the etaging of the Ethiopian-EPLF talks in Atlanta, Geogia, under the mediation of former US President Jimmy Carter and a successful meeting in Washington between the Ethiopian delegation attending the talks and Herman Cohen, US assistant secretary for Africa. This suggests President Mengistu is not without diplomatic options.

The eventual consequences of this complex pattern of changing alliances is difficult to predict, but it seems clear that a process of super-power realignment in the Horn of Africa cannot be ruled out.

• Dr Robert Patman is the Editor of Third World In Soviet Perspective, o new journal to be launched later this month.

Sri Lanka pledged \$785m aid

By William Dawkins in

THE World Bank yesterday pledged \$785m of aid for Sri Lanka on condition that the country made further efforts at economic reform.

Yesterday's agreement came at a meeting in Paris of the World Bank's ald group for Sri Lanka, comprising representatives of 12 developed countries, as well as the Asian Development Bank, the European Commission, International Monetary Fund and UN Development Programme.

Development Programme.

The meeting noted that civil conflict had contributed to a growth in the fiscal deficit to more than 15 per cent of gross domestic product, a decline in GDP growth to 2.7 per cent and a widening in the current account deficit to 8.7 per cent of GDP.

tial steps the Government had taken to stabilise the economy, and called for the "continued timely and effective implementation" of adjustment programmes agreed with the World Bank and the IMF.

AP adds from Colombo: The largest Tamil rebel group, fighting since 1983 for a separate homeland, says it expects to reach an agreement with the Government by the end of

Sudan rebel leader says military junta plans to renew war

SUDANESE rebel leader John Garang, ending a seven-nation African tour, accused the junta in Khartoum on Tuesday of preparing to renew fighting after an informal truce, Reuter

The other side is moving to attack us. We don't have to wait for a bullet in our head."

Mr Garang told a news conference in Nairobi before heading for the southern Sudan civil war zone.

Mr Garang, head of the Sudan People's Liberation Army, said he hoped his month-long African tour would lead to negotiations, but the junta had not responded to an SPLA peace plan.

SPLA peace plan.

The plan, which the SPLA presented to the junta in Angust, calls for a broad-based government, a new army, a conference to write a constitution and fresh elections.

He said the tour was a diplomatic triumph because the SPLA peace plan was supported by Kenya'e President Daniel arap Moi, whom he saw on Monday, and other East and Central African leaders.

Garang visited Zambia, Zim-

babwe, Botswana, Malawi, Mozambique and Tanzania. His journey back to southern Sudan marks the beginning of the dry season, when fighting usually increases.
Sudan's military leader

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Sudan's military leader Omar Hassan al-Bashir, who seized power in June, has renewed a milateral ceasefire which was due to expire on November 4.

November 4.

The SPLA declared an informal ceasefire in April when the United Nations launched a relief operation to deliver 100,000 tonnes of food to the south.

He said the government had launched a massive rearmament operation and series of troop movements which the SPLA could not ignore.

SPLA could not ignore.

The SPLA has been fighting since 1983 to end what it regards as domination of the largely non-Moslem south by the Arabised majority in the north.

 Ethiopian rebels said yesterday they had captured three government garrison towns in northern Ethiopia and fighting was continuing.

normern kimopia and fighting was continuing.

The clandestine radio of the Tigray People's Liberation Front (TPLF), monitored in Nairohi, named the garrisons as Walda Delanta, Were Hemeno and Kutaber, all in Wollo province north of Ethiopia's capital Addis Ababa.

Fnations Actually they can. And one That allows them to plan computer company more practical and flexible solutions can remove committed than any other to strategies for the future. removing those barriers is Unisys. And allows us to focus our skill barriers. and experience on putting it all Creating and adopting open systems standards across all our together. technologies so that Unisys Which is why, as well as why can't systems are designed to work being one of the largest with computers from just about information systems companies computer anybody else. in the world, and the leading seller of commercial UNIX systems. Our customers in finance, companies? government, public services, or we are the only computer in major industrial and manufacturer in the top five providers of professional service*. commercial companies can fit their computer system to their Removing barriers in businesses, rather than squeezing computing A commonsense approach which gives you untheir business around their common flexibility. computers. UNISYS AND YOU. The power of.

ICRC studies threat to staff

THE Swiss Government said yesterday that it was taking seriously a threat to kill two Swiss employees of the International Committee of the Red Cross (ICRC) kidnapped in Lebanon 12 daye ago, Renter reports from Geneva.

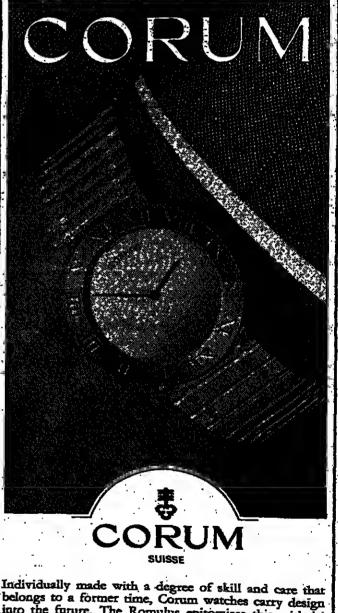
An ICRC spokesman said the threat was made in an anonymous telephons call earlier this week to an international news agency in Cyprus.

In Berne, Swiss government spokesman Michel Pache said:
"For the time being we are studying these threats. The information communicated is being taken seriously."

for the pro-Iranian Islamic Jihad and gave Switzerland three days to release Mohammed Hussein Hariri, a Shite Moslem sentenced to life imprisonment for hijacking an aircraft and killing a passenger.

He said the kidnappers would start killing the hostages, Emmanuel Christen and Ello Erriquez, unless Hariri was freed. Hariri killed a French passenger in the 1987 hijacking of an Air Afrique flight which ended in Geneva.

information communicated is The ICRC spokesman said being taken seriously." The organisation had no plans The caller claimed to speak to pull out of Lebanon.



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WORLD TRADE NEWS

Talks to improve Free trade EC-Gulf ties in petrochemicals

Co-operation Council and the European Community are likely to be at the centre of a high-level meeting between Gulf petrochemical producers and their European counter-

parts in Brussels today.

The meeting, understood to have been called at the request of Kuwait's Petrochemical Industries Company, marks a stepping up of contacts between industrialists from the EC and the GCC as the two groups prepare for negotiations on a comprehensive free trade

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greement. It will bring together senior managers from the Gulf chemi-cal companies, including Mr Ibrahim Salamah, chief execu-tive of Saudi Basic Industries Corporation, and a group of European industry leaders headed by Dr Guenter Metz. deputy chairman of Hoechst.

The Gulf producers, princi-

pally Sabic, which runs a string of petrochemical joint ventures with mainly Japanese and American partners, are apparently anxious to allay fears among EC petrochemical manufacturers about the pro-

posed free trade pact.

The GCC, spearheaded by Saudi Arabia, has been trying to obtain a free trade pact with the EC for several years. But talks have been hampered partly by hostility on the part of EC producers, which fear that free trade would expose them to increased competition

DIFFERENCES over trade from low-cost Gulf petrochemi-between the six-nation Gulf cals. The two sides have so far been able to agree only on on a low-level economic co-opera-tion pact, signed in June 1988. The issue has returned to the fore because of the EC's adoption last month of a mandate for talks on a more sub-stantial trade accord. This pro-vides for phasing-out protective duties levied by the EC on "sensitive" petrochemi-cal products, in a eight-to-16-

year transition period.
France, which holds the EC presidency, has said it wants the Council of Ministers to agree the mandate by year end, in which case full-scale talks could be leaveded acres in could be launched early in

European proponents of an accord argue it would consti-tute recognition of the Gulf's political and strategic importance and boost its industrial

development efforts.
Industry opponents, backed
by the Dutch and West Germans, express concern that a move to free trade would imperil recent costly restruct-uring undertaken by EC petrochemical producers.

Today's meeting is being described as aimed at "opening the doors" to greater co-opera-tion between the two groups. One company executive said: "The European petrochemical industry is as resolutely opposed to a free trade area as it ever was. But political reali-ties mean there will be one

panel ruling favours US

By David Owen in Toronto

THE FIRST binational panel to be set up under the terms of the US-Canada free trade agreement has ruled in favour of the US in a dispute over Canadian landing and inspec-tion requirements for West Coast fish.

The panel decided that Canadian insistence on salmon and herring catches being lamied and inspected in Can-ada restricts exports and con-travenes both the free trade agreement and the General Agreement on Tariffs and Trade. Canada implemented the requirements last April on

But the panel paved the way for a compromise by suggest-ing Canada allow a small por-tion of its catch to be sold directly off boats for export. This would remove fears that the rules were designed specifically to restrict exports, while permitting enough fish to be landed for conservation and

The report will now be considered by a commission com-prising Mr John Crosbie, Canadian International Trade Minister, and Mrs Carla Hills, US Trade Representative. The ruling concerns a government-to-government com-plaint, so is not binding to

Brussels lobbied on duty-free sales By Lucy Kellaway in Brussels THE duty-free lobby yesterday presented a proposal to the European Commission that

would allow the sales of dutyfree goods between member countries after the borders come down in 1992.

The plan, drawn up by the International Duty-Free Conwould involve setting up a control at the point of sale system which would limit the quantity of goods sold to any individual. It would mean extending arrangements that already exist at most airports, under which passengers have to present a boarding pass in order to buy duty-free goods.

similar system has been operating successfully in Scandinavia for the past 20 years, and claims that lts adoption throughout Europe would make it possible to maintain this profitable market after

Commission officals yesterday expressed some scepticism over the proposals, which they suggested went against the principles of the single market, according to which the notion of duty-free allowances within the community disappears.
By contrast, the Duty Free industry argues that the rights of members to levy taxes within their territoies after

free allowances, the market can be safeguarded.

According to a study pre-pared by the Netherlands Eco-nomic Institute for the Duty Free Conferenation, the loss of duty-free income between member states would put 7,200 jobs in duty-free shops at risk, and more in the manufacturing and tourist industries.

The report draws some grim conclusions about the consequence of killing off the duty free trade, forecasting a 10 per cent increase in air fares, a 23 per cent increase in ferry prices, and a reduction in going from one EC nation to demand for bolidays in the another by plane or ferry.

and thus so long as a means can be found of policing duty holidays outside.

 Ending tax free shopping in the EC after 1992 threatens more than 3,000 jobs and may raise air and ferry fares by 10 and 23 per cent respectively, the IDFC said on Tuesday. In a study of the European Community's plan to end tax-free shopping for intra-EC trav-ellers, the IDFC urged that

such shopping shoud not be banned, but simply amended. Sales of duty and tax-free shopping in the EC total \$2.4bn, the IDFC said. Of this, \$1.6bn comes from travelers

for Saab aircraft

> in Stockhoim VALMET, the Finnish metal and engineering company, announced yesterday that it had signed a SKr450m (\$69.5m) co-operation agree-ment with Saab-Scania, the Swedish conglomerate to provide components for Saab's new civilian 50-seater aircraft the 2000.
> Under the terms of the deal,
> Valmet will produce the fin,

By Robert Taylor

Valmet to

make parts

rudder, stabiliser and eleva-tors for the aircraft as well as design and manufacture the design and manufacture the tools and assembly jigs. The new aircraft is expected to be in the air by 1992 but deliveries should begin in 1993.

So far 103 firm orders and paid options have been made for the Saab-2000, which is being developed as a larger and faster version of the Saab-340 new generation regional

340 new generation regional airliner still in production. This is not the first time that the two companies have worked closely together. Indeed, their co-operation dates back to 1968. In a statement yesterday Saab-Scania said that the new agreement opened up new possibilities on co-operative programmes in both the military and commercial aircraft sectors."

UK-led group to build Indonesian refinery

A CONSORTIUM headed by Foster Wheeler, the UK engineering group, is to build a \$1.8bn oil refinery in Indonesia for Pertamina, the Indonesian state oil company said yester-

day.

The refinery, which is aimed at boosting Indonesia's export capacity in refined oil products, is to have a capacity of 125,000 barrels a day (b/d) and will start operations in 1994. It will be built at Balongan on the north-east coast of West

The refinery will allow Indonesia to follow a strategy succeesfully developed by other members of the Organi-sation of Petroleum Exporting Countries, which are gradually exporting more of their oil in the form of refined product. This has tended to provide better margins and more flexi-bility, although Indonesia has opted not to try to market the products itself but to rely on BP. The Far East is one of the

fastest growing markets for

The consortium's other members include JGC, the Jananese engineering company, Mitsul, which is organising fin-ancing for the project, and British Petroleum, which will market refined products from several Pertamina refineries. The new refinery itself,

known as Exor-1, is to supply the domestic market, although this will free product produced at other refineries for export, which would pay for the capi-tal cost of the project.

with the British Governmen for a \$200m Export Credit which would be dependent on \$200m being spent with UK

The refinery will process 100,000 b/d of Indonesian Duri crude and 25,000 bid of Minas. Duri has a relatively low export value because of its high metals and residue con-

The refinery will be engineered specifically to handle this type of crude

quota for Mexican steel In a what seems to have been a highly successful state visit, Mr Salinas' main aim was to win greater access to the ITS

this month until the end of The accord was the most tangible outcome of talks held market. Steel apart, the other major Mexican concern was textiles. It was decided that the current bilateral pact would be revised, and restrictions liberby Mr Jaime Serra Puche, alised on both sides. A Joint Committee on the

Ouring the was a side of the president Carlos Salinas us.

Gotari.

Mr Serra said in Mexico Cliy Mr Robert Mosbacher, US Serthat Mexican steel exports had retary of Commence, was set been running at an administration of the ment reached in Washington.

Trade headen of Commence was set been running at an administration of the ment reached in Washington.

Trade headen of the set reached in Washington.

Trade headen of the set reached in Washington.

This is not an agreement on the trade. Mr Serra amphasised, pointing out that US technological superiority made

impossible a total opening of the border to commerce. Talks are to continue on the vexed issue of intellectual pronclusion under the General perty rights and in particular sed System of Preferences: pharmaceutical patents which Among products included Mexico does not respect at are word processors, glass, dig-present.

US agrees to double import

By Richard Johns in Mexico City

THE US has agreed to double ital data processing systems, its Mexican steel import quota polyvinyl chloride, and chillies. from 400,000 to 800,000 tonnes for two and a haif years from

Mexico's Minister of Commerce and industry, with Mrs Carla Hills, US Trade Representative, during the Washington visit of

to review in April next year 43 Mexican products out of a list inclusion under the Generalised System of Preferences:

at about \$1bn-\$1.5bn. there from November 12-14 by the Italian President, Mr Francesco Cossiga. It brings Fiat together with the Algerian public company, Enpy, to con-struct a \$150m plant with a potential output of 40,000 cars

a year.

Fiat confirmed yesterday it was discussing collaborative projects in the acrospace sector with Daimler-Benz, but declined to reveal any details. The fact that discussions were under way was revealed yester-day by Daimler's president, Mr

Edzard Reuter. -Mr Reuter also said Daimler was discussing collaboration with Flat's industrial vehicles subsidiary, Iveco. As far as any kind of link-up in the car sec-tor is concerned, Mr Reuter said that nothing was yet

"Personally, I do not exclude that in the long term we shall be talking of more intensive negotiations between Daimler-Benz and Fiat about automo-

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Fiat set to expand car production outside Italy AGREEMENTS with the Soviet . Soviet Government would stay

Union and Algeria which will considerably expand the Fiat. The Algerian agreement Group's involvement in car dates from 1987 and should be production outside Italy may signed during a state visit be ready for signature next

month.

Although final details have not yet been settled there are some hippes in Turin that the Soviet deal can be clinched for algorithm during the visit to Italy at the end of November by Mr Mikhail Gorbachev, the Soviet President.

Born of a Soviet initiative during the Italia 2000 exhibition in Moscow a year ago, the shape of the joint venture has begun to change in recent months.

The Italian company was originally to be involved in a new plant under construction at Yelabuga, some 75 miles from Moscow, but it has now been agreed that the venture should be based on the Vaz plant which currently produces 720,000 vehicles a year.

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be covered by Fiat and the

The project under negotia-tion would involve production of 300,000 vehicles a year based on the Piat Panda. The Soviet version would be known as the. Oka. The total investment to

US Army to carry out trials of new UK gun By David White, Defence Correspondent

THE US Army and Marines have agreed to carry out trials from next January of a new for a 2300m British Army conhelicopter-portable artillery tract to supply self-propelled gun developed by the British howitzers.

Vickers Shipbuilding and Engi. The weapon is designed to nearing group (VSEL), the company said yesterday.

The gun, an ultra-lightweight 155m towed howitzer, is being shown for the first time this week at the Association of the US Army Exhibition in

Washington.
Completion of a first prototype designed to meet US speci- . potential market of up to 5,000 fications follows VSEL's vic units worldwide.

tory earlier this year in a flerce battle against BMY of the US

The weapon is designed to fulfil an urgent requirement to provide fire support for rapid deployment forces.

The US trials, which follow successful firing trials in the UK, are due to be held over

_ VSEL said its new gun had a

AMERICAN NEWS

MADRID DISCUSSIONS ON IMPROVING RELATIONS MAY EXTEND TO THIRD DAY

Argentine-UK talks start on positive note

By Robert Graham in Madrid

HIGH-LEVEL talks aimed at normalising relations between Argentina and Britain opened in Madrid yesterday in a posi-The talks were due to last

two days. However, there were hints they could stretch into tomorrow to maximise the

opportunity.

Sir Crispin Tickell, head of
the British delegation and
amhassador at the United
Nations, commented before
yesterday's session: "If we
have to talk a hit longer, then
the talks will last a bit longer." the talks will last a bit longer."
He added: "We've got a lot to
talk about and I hope we end
up with a positive result."
The Argentine side was led
by Mr Lucio Garcia del Solar, a
senior roving ambassador for
President Carlos Menem.

The two men met for preliminary contacts at the UN in August and met again briefly on Monday evening to prepare for yesterday's talks, which were held in a British diplo-mat's house on the outskirts of

Without raising expecta-tions, both sides hoped to agree

on resumption of consular relations. At the same time such an agreement would lead to a re-opening of direct air links. lifting of curbs on British companies operating in Argentina and recognition by Buenos Aires that the state of belliger-ency in force since the 1982 Falklands conflict was no lon-

ger in force. Britain will seek to avoid discussion of the 150-mile protec-tion zone round the islands. tion zone round the islands. However, if the talks go well, the British could propose some confidence-building measures, such as advance warning of military manoenvres being conveyed to the Argentines.

The Argentine side has been pressing for Britain to demilitarise the Falklands as a gesture of confidence in the civilian government.

The last formal direct talks between Argentine and British

between Argentine and British diplomats on normalising rela-tions were held in Berne, Swit-

zerland in July 1984.

These broke down over mutual misunderstandings relating to Argentina's claim to sovereignty over the islands.



Lucio Garcia del Solar, left, shakes hands in Madrid yesterday with Sir Crispin Tickell

Buenos Aires resolute on pay award

ARGENTINA'S Peronist government has announced a pay award intended to last until March 1990, though trade unionist opposition is likely to contest it flercely, writes Gary Mead in Buenos

Mr Nestor Rapanelli, Economy Minister, and Mr Jorge Triaca, Labour Minister, said the nearly 2m public sector workers would receive a fixed sum of 12,000 australs (about \$18 at official exchange rates)

and have an earlier fixed sum bonus of 8,000 australs incorporated into their monthly salaries. The ministers said on Monday that no percentage increases would be given and that the Government would not shift from the announced

According to Mr Rapanelli, the across-the-board increase represents a percentage increase of 32 per cent for the lowest paid and 9 per cent for the highest. He added that pri-

vate sector wage negotiations stood outside the official guidelines and that public sec-tor companies were still entitled to offer increases above the guidelines if productivity agreements were reached with individual trade unions.

The hard line stance thus signalled by two of President Carlos Menem's most influen-tial Cabinet ministers is part of the Government's general strategy to break the wage-

Date for Chile debt buy-back

By Barbara Durr in Santiago

THE DETAILS of Chile's cash huy-back of as much as \$550m of its own foreign debt will be decided on November 22, the Government has announced.

According to the telex sent to its creditor banks, which total nearly 300, hids for sale of discounted Chilean debt paper must be presented by November 17 in New York to Manufecture. facturers Hanover Trust, the leader of Chile's bank steering. committee and the agent for the operation. The Chilean central bank will decide on the discounts and amount of debt

to buy on November 22.
Under Chile's debt restructuring agreement of 1987, creditor banks agreed to allow the tor banks agreed to allow the cash repurchase of up to \$500m worth of Chilean obligations. In 1988, Chile bonght \$299m worth of its own debt for just \$167m. The average deht discount for that operation was 56 cents to the dollar.

This time with Chilean debt

cents to the dollar.

This time, with Chilean debt trading at approximately 64 cents to the dollar on the secondary market, Chilean authorities say they want a minimum discount of 40 per cent. About \$230m is available for the new buy-back, which could pay for \$550m worth of debt if sold for 60 cents to the dollar.

East Germany set to supply arms for Nicaragua offensive

NICARAGUA appears set to receive new arma supplies from East Germany in preparation for a "final offensive" against the US-backed Contras.

General Heinz Kessler, the East German Defence Minister, is on a visit to Nicaragua "to strengthen the ties of co-opera-tion" between the two countries, according to an official statement.

Gen Humberto Ortega, his Nicaraguan counterpart, told reporters on Monday that Nica-ragua "does not rule out" the possibility of new arms purchases from East Germany with a view to a multinational military operation to demobi-lise the US-backed Contras hased in Honduras.
The International Verifica-

The International Verifica-tion and Follow-up Commis-sion (CIAV), the UN body charged with overseeing the Contra demobilisation plan, had a fruitless visit to their base camps in Honduras last week. CIAV officials were told by Col Enrique Bermudez, the Contras' commander, that his 12,000 troops will not voluntarily lay down their weapons by the December 8th deadline agreed at the Tela presidential summit last Angust. Gen Ortega said: "We are

prepared to assist CIAV and the presidents (of Central America) to remove the Contras if they do not want to demohilise". He said the Nicaraguan army was also prepar-ing a new, and probably, final offensive against the estimated 2,000 Contras operating inside Nicaraguan territory who have begun disrupting the electoral process in rural areas. President Daniel Ortega hinted recently that the unilateral restraint or "ceasefire" on offensive operations might be suspended in December If the Contras refused to demobilise.

The promise of East German arms contrasts sharply with the recent visit of Mr Eduard Shevardnadze, the Soviet Foreign Minister, to Nicaragua. He said the Soviet Union was pro-posing to co-operate with the US in overseeing a reduction of all the armed forces in Central America.

Soviet arms supplies have been decisive in Nicaragua gaining the upper hand in the eight year war against the US-

equipped Contras.

President Ortega is on a tour of the Middle East where he has secured promises of new economic support from Kuwait

El Salvador foes seek to agree on ceasefire

By Tim Coone

THE peace process in El Salvador is inching forward this week, with talks taking place between the left-wing Farabundo National Liberation Front (FMLN) and the right-wing government of President Alfredo Cristiani.

Secluded in a Costa Rican monastery, the two delegations are seeking to establish a last-ing ceasefire in the 10-year war which has cost an estimated 70,000 lives, and which will lead to the demobilisation of the FMLN and its incorpora-

the FMIN and its incorpora-tion into civilian life.

Mr. Joaquin Villalobos, one
of the FMIN guerrila leaders,
said shorty before the talks,
began on Monday that the FMLN would propose the creation of a human rights supervision commission comprising members from the Governforces and the FMLN.
It is also calling for reforms

to the electoral law and the judicial system, a bringing forward of the next elections, a reduction in the size of the armed forces, and trials of mili-tary officers who have abused human rights. Mr Villalobos said "an end to hostilities will only be possible if the economic, political and social causes of the war can be over-

1112 E

The El Salvador Government has had an appalling human rights record over the past decade and death squads continue to operate with seeming impunity although at a much lesser scale than in the early 1980s:

Mr Cristiani has frequently said that he wishes to reach a negotiated end to the war but faces resistance from within his own ARENA party. Few observers see an imme-diate breakthrough in the

Colombian judge murdered

A MAGISTRATE was murdered in Colombia's cocaine capital of Medellin yesterday in retalistion for the extradition of accused drug

traffickers to the US, Reuter reports from Bogota. High Court Judge Hector Jimenez Rodriguez, 55, was shot by attackers on motorcycles near his home in the city's Belen district and died

from six bullet wounds. The National Judicial Association called a 72-hour strike the Government's "lack of pro-tection granted to judges". The Extraditables, a shad-

owy group set up hy drug traffickers, claiming responsibility for the murder, said the killing was "the first retaliation" for recent extraditions. Since 1980 about 350 judicial employees including 50 judges, have been killed in drug-related violence and last August traffickers threatened to kill 10 judges for each suspect extradited to the

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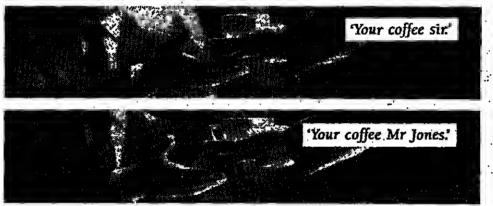
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Mark Commence of the Commence

MR - William Webster, whose future as director of the Central Intelligence Agency has been in doubt, is pressing President Bush and Congress to loosen restrictions on CIA involvement in potentially vio-lent foreign cours.

Mr Webster's call for a more flexible CIA role has been spurred in part by the continuing political fall-out in Wash-ington over the recent abortive coup against General Manuel Noriega of Panama and the reluctance of the administra-tion to support the coup effort.

The CIA director publicised his views in an interview with the New York Times in what

By Richard Johns in Mexico City

MBXICO'S conservative National Action Party (PAN) has supported proposals for

nas supported proposals for electoral reform put forward by the ruling Institutional Rev-olutionary Party (PRI), a sur-prising move given that the proposals are clearly formu-lated to perpetuate the PRI's indefinite command.

As a result, the recommenda-tions were overwhelmingly approved by 364 votes to 70 in

the Chamber of Deputies at the

first reading after midnight yesterday to the bewilderment and anger of the left-of-centre Party of the Democratic Revo-lution (PRD) and three small

opposition factions.
Until late last week the PRD had been aligned with the PAN

in its insistence that the Federal Electoral Commission should be a independent and impartial body rather than one

with an automatic PRI majority because of its dominance of the executive and legislative branches of the Government.

country's mining syndicate in a deal involving 650 redundan-

cies should enable resumption.

soon in output at Compania de Canariea's copper mine, which was declared bankrupt by the

which twice failed to do so last

Government on August 20. It will also open the way for a renewed attempt to privatise the mine by the Government.

By Richard Johns

Cananea peace deal

THE signing of a new labour, labour contract and a reduc-contract between the Mexican tion in the grossly overmanned Ministry of Labour and the workforce was seen as a pre-

ear days for each year of Revision of an antiquated service.

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1989 and 15th December 1989 respectively.

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IDR COUPON RECORD

Mexican electoral

reform plans backed

- amounts to a counter-attack against anonymous White House critics who accuse him of being ineffective and too cosy in his relations with Con-

gress.
President Bush, himself a former CIA director, said on Monday that he had "full confi-dence" in Mr Webster, a Rea-gan administration appointee who until 1967 had no experi-ence of foreign policy and who failed to attend two key meetings at the White House as the Panama coup unfolded earlier this month.

Mr Webster is seeking a more generous interpretation of a 1976 executive order

In a heated session PRD delegates and those of the left-wing Popular Socialist Party accused the PAN of "treachery". Mr Cuauhtemoc Cardenas, leader of the PRD.

described the PRI programme as a move towards "retrogres-sive" and "anti-democratic"

While paying lip-service to the future autonomy of the

CFE, the only change the PRI has proposed is that the coun-try's highest electoral author-ity should include outside

advisers, including judges, des-ignated by "the legislative and executive powers".

On the second crucial issue, the PRI has recommended that the party obtaining 35 per cent

of the vote in a general elec-tion should be assured of 251 seats in the Chamber of Depu-

ties but no party should be allowed more than 350.

The PRI currently has 263 seats in the legislature and the PAN 101.

condition for the sale of Cananea, which is also saddled with

\$650m of short-term debt, most

the payroll and another 880 personnel on the staff.
Under the agreement, those made redundant will receive a

down payment equivalent to 136 days wages and another 35

of it owed to the state. There were 2,980 miners on which prohibits American individual assassination. But clamped down again involvement in assassinations the United States has other involvement in assassinations against foreign leaders. The order was adopted at the height of the post-Watergate recriminations against the CIA when Congressional investiga-tions uncovered the agency's role in plots to kill President

Fidel Castro of Cuba Mr Webster said that the Mr Webster said that the 1976 order — strengthened by President Jimmy Carter and adopted, after some debate, by President Reagan — had been recently interpreted to ban any US aid to a coup that could lead to the death of a country's leader. leader. He said: "The United States

overriding concerns about

security and protecting democ-

racy. . . and when despots

take over, there has to be a means to deal with that short of making us to be hired kill-

officers became embroiled in

the Iran-Contra arms for hos-

tages scandal, Congress

and freedom. Normalisation must occur on the basis of

Western values with the end

result being a people inte-grated into the community of democratic European nations."

Enter Mr Webster, the former FBI director who was chosen to fill the top intelligence post when Congress pressured Mr Casey's protégé, Mr Robert Gates, to withdraw his nomina-This was an argument employed vigorously by Mr Webster's predecessor, Mr William Casey, who said Congressional oversight powers were strangling the CIA's effectiveness. Under Mr Casey an ectivist CIA redressed some of the balance but, when some of its officers became embroiled in tion. He took over on the understanding that the CIA would stay "clean" and has strong support in Congress, notably Senator David Boren, chairman of the Senate Intelligence committee. But he has been criticised for poor intelligence work.

Webster: wants flexible role



US firms up views on German unification

By Peter Riddell, US Editor in Washington

THE BUSH administration wants any moves towards German reunification, or reconcili-etion, to be linked to European

Community integration.

The speech on US/Soviet relations to the Foreign Policy Assocation on Monday evening by Mr James Baker, the Secretary of State, marks an important step in the evolution of US policy towards Germany. Several foreign policy spe-

cialists have recently argued that until now the administration's approach has been too

He noted that since the objective might have become formalistic over time it was Noting the long-term support of the US and Nato for the recmaistic over time it was important to emphasise the basis on which reconciliation could take place.

The official added that "it is very important as the EC integration process develops, that onciliation of the German people, Mr Baker argued that such a process of self-determination can only be achieved in peace

it belps give the Federal Republic (West Germany) a strong Western anchor in both democratic policy and also eco-This reference was developed at a background briefing by a senior administration official. nomic policy. It's one of the reasons why the US is firmly committed to that integration

process, even though it at times poses some dangers in terms of markets."

Moreover, "it also a very good thing for the EC to be involved in coordinating the G-24 process in helping reform in Eastern Europe because it means that, in this case, the Ostpolitik is an EC and G-24 Ostpolitik reflecting our fundamental values, and that the coming together of all of Europe, as well as the coming together of Germany, works within that framework."

Administration seeks 'real' cuts in deficit reduction package

By Peter Riddell, US Editor, in Washington

accounting gimmicks, in its deficit reduction package before agreeing to any reversal of the \$16.1bn across-the-board cuts which came into effect yesterday, Mr Richard Darman, the

Budget director, wants to bring forward the impact of the across-the-board cuts, ordered under the sequestration proce-dures of the Gramm-Rudman deficit reduction law because a
Budget was not approved by
Monday night.

The cuts are being made
from each individual pro-

from each individual programme, project or activity rather the more global category of accounts. This may lead to lay-offs of staff. Mr Darman said this apporach would give agencies "less ability to shift from one area to another, to fudge other things."

Mr Darman has argued that sequestration will not be taken

sequestration will not be taken seriously if agencies "merely figure out how to juggle the accounts, trusting that Congress is going to restore all the money a little bit later."

Until now the assumption has been that sequestration will have little impact for the

THE BUSH Administration is first four to six weeks apart stepping up pressure on Congress to produce real cuts in Medicare payments to doctors and hospitals and in some payments to students. In this period Congress will agree e Budget and the cuts will be restored, as two years ago.

But Mr Darman has not only sought to accelerate the squeeze but has also indicated that the administration might prefer to retain these seques-tration cuts rather than agree to a fudged Congressional Bud-

get package.
The \$16.1bn cuts are equivalent to about 1.5 per cent of total Federal spending, but nearly two-thirds of the total Budget is either exempt, notably social security peyments and salaries for Federal employees, or outside Govern-ment control, such as debt

House and Senate Democratic leaders were meeting yesterday to discuss the com-pletion of an early deficit reduction bill. The main problem is to how step down the nearly 2,000 page House version which includes proposals on extending child care and repealing the Medicare catastrophic health insurance plan as well as a temporary cut in capital gains.

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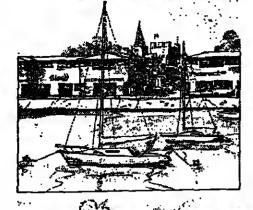
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FINANCIAL TIMES

FT LAW REPORTS

Court may rectify to give legitimate tax advantage

Chancery Division: Mr Justice Mervyn Davies. October 6 1989

A DEED of variation may be rectified by the court to achieve a legitimate Tax advantage despite a lack of adversarial issue between the parties, if words mistakenly used preclude it from giving effect to their joint intention.

Mr Justice Mervyn Davies so held when granting an applica-tion by the plaintiff, Mrs Betty Lake, for rectification of a deed of variation made between her and her children, the first three defendants, William and Simon Lake and Elizabeth Isaac. The remaining two defendants were her grand-sons, David and Michael Lake. HIS LORDSHIP said that Mr

November 28 1986, leaving a The estate was given, £50,000 free of tax to his son, Simon. The residue was held hy his children, William, Simon and Elizabeth, as trustees, to Mrs Lake for life and then in

Leonard Charles Lake died on

quarter shares to Simon, Elizaheth and two grandsons.

There was a power to the trustees to make over capital in the residue to Mrs Lake.

The net value of the estate was £587,075. The death attracted tax on the £50,000 to

Simon, but no tax on the residue, since it passed to Mrs Lake as spouse, for life. Since Mrs Lake was then of advanced years and had prop-erty of her own worth about \$200,000, it was likely there would too be a claim for inheri-

tance tax on the £800,000 aggregate of the two estates. Most of that sum would attract tax at 60 per cent.

Accordingly, thought was given to improving the tax position. Counsel advised a deed of variation designed to take advantage of section 142 of the Inheritance Tax Act 1984 and section 49 of the Capital

Gains Tax Act 1979. Counsel provided a draft deed, but it was "finalised" by solicitors. Parties to the deed were Mrs Lake of the one part, and the three trustees of the

The deed declared that the disposition of Mr Lake's estate should be varied by way of family arrangement from date of his death, so that the will By clause 3 of the deed the parties made an election under section 142(2) of the 1984 Act and section 49(7) of the 1979

was supposed that with the deed executed, about £94,000 would be payable in tax. That sum was to be raised hy using the trustees' power to release capital to Mrs Lake to put ber in funds for £94,000. She would thus pass it on to the other beneficiaries so they could pay the tax on their ben-

What was proposed did not come to pass. The Capital Taxes Office assessed the estate at £239,738.

The increase up from £94,000 arose because "free of tax" caosed the specific benefits given to be grossed up.
The beneficiaries took their

benefits without having to bear any tax, whereas the whole of the \$239,738 fell on residue to wholly unexpected prejudice of Mrs Lake.

The solicitor contacted the Inland Revenue, and it was suggested that a further deed be executed reflecting what the

deed of variation was executed in the same terms as the first save that for "free of tax" was substituted "not free of tax."

That second deed drew from the Capital Taxes Office a new assessment at £9,547.

Unfortunately the situation was not maintained because on April 14 1988 the Capital Taxes Office informed the solicitors that the second deed did not fall within section 42, in view of the decision in Russell v IRC [1988] 1 WLR 834.

revised assessment of £232,743 was issued. On the present originating summons application was made to the court to rectify the first deed with a view to sub-mitting it for section 142 purposes and thus achieving a

reduced tax liability. It was said the second deed was no bar. If the first was rectified its effect would be the same as that of the second, but the rectified deed could be used for section 142 purposes whereas the second could not. To remove any doubts the

originating summons was amended to include a paragraph seeking an order that on the true construction of the second deed "not free of tax" was to be interpreted as a direction that the legacies were to bear their own tax.

The question was whether the first deed might be recti-

in re Slocock's Will Trusts [1979] 1 All ER 358,363 Mr Justice Graham said that if a mistake was made in a documen legitimately designed to avoid tax, there was no reason why it should not be corrected; and there was nothing in Whiteside [1950] Ch 65, nor any other case, which compelled the

where the common intention was to obtain a legitimate fis-

cal advantage.
The solicitors' affidavit evidence was that "free of tax" was inserted in the deed of

variation by clerical error. On the evidence the court was satisfied that when the first deed was executed there was never any intention that the residue should go to Simon, Elizabeth and the grandchildren free of tax.

In Whiteside a consideration for refusing rectification was that there was no "issue" before the court.

In a sense there was no issue in the present case, because all counsel desired an order. However, Whiteside was not an obstacle to rectification.

In Sherdley v Sherdley [1906] I WLR 732,739 Sir John Donaldson MR said that when rectification was declined in Whites-ide because of "absence of issne" between the parties, that did not refer to absence of adversarial issue, but to the facts that (a) there was no case for rectification because the original deed recorded the parties' intention; and (b) the perties had already done what the court was being asked to order.

In such a situation, he said an order by the court would either be a sham or an approval of a consensual agreement, for which there was no need or jurisdiction.

Sherdley went on appeal without affecting the force of

those remarks. In the present case all con-cerned at all times intended tax to fall on the released assets. By inadvertence "free of tax" was included and furthermore, by a blunder, the released assets had no tax bur-

den placed on them. Thus there were two mistakes. The result was that the deed did not express the proved intention of the parties. The mistaken insertion of free

of tax" might plainly be recti-So might the mistaken omis-sion of "such gifts to bear their own tax," because the words as used in the deed did not effect what was intended by the par-

An order for rectification should be made. "Not free of tax" was construed as meaning the legacies were to bear their

For Mrs Lake: Arthur Jefferis (Brewers)
For William, Simon, Elizabeth

and David: Mark Struder (Brewers) For Michael, a minor: Piers Feltham (McNeil & Co)

Rachel Davies

Barrister

* * *

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MANAGEMENT

n an earlier era. Michael B. Elliott Frye would perhaps have made a very fine country vicar. Enormous, genial, and mildly eccentric, it is easy ann minity eccentric, it is easy to imagine him conversing enthusiastically with those in his care, delving into arcane philosophical issues, and col-lecting rare ornithological

Yet in the late 1980s he finds hased engineering company, B. Elliott, guiding the business back from some troubled trading times and hoping to steer it

towards a more secure future. The comparison with a vicar is perhaps not inappropriate, for the message which Frye persistently preaches is one of listening to the workforce and administering to its needs.
"Ws want to improve the

communications and attitude in the company and realise the workforce's potential. If you work for our foundry in Leices-ter and are one of those who speak only Gujurati and no-one bothered to tell you that the game was soccer and you had to kick a ball and score goals, then you would have no idea of what the game was all about We try to provide the opportunity for our workers to contrib-ute better. After all, they are at the job eight hours a day while the manager only looks at a problem for five minutes. Michael Frye stressed the need for communicating imme-diately he became chairman of B. Elliott in 1987, continuing the family link with the com-

B. Elliott had been founded by Hugo Frye, the current chairman'e grandfather, in 1900 (refounded in 1919), and named after his wife's maiden name - Beatrice Elliott. Hugo Frye had left Germany with money from his father and instructions to travel the world. Instead, he came to England, and invested the money in an engineering bust-

M

The company built up an illustrious name in the machine tool industry in the 1960s and 1970s under the direction of Jack Frye, the

Preaching a gospel of creative change

John Thornhill examines the UK machine tool company's strategy of encouraging s and employees to help formulate a programme for its long term recovery

The struggle to survive had not allowed much thought to be devoted to longer term strategy and when Michael frye became chairman the company was in danger of drifting simlessly, making little profit from its core machine tool operations and, somewhat embarrassingly, deriving the balk of its profits from a steel mill in South Africa. "Elliott consisted of a batch of businesses which did not have a mill before the balk of the businesses which did not have a mill before for being them and real reason for being there and had been left over from previous thinking. What was left was a residue not a selected set of businesses," he said.

First of all, Michael Prye set about cleaning up the company. He set down a profit improvement plan designed to tackle the group's underper-forming businesses and help improve those of marginal performance. New managers were recruited. About £4m of overhead costs were cut by relocat-ing premises and rationalising

B. ELLIOTT'S TEN-YEAR RECORD							
Year end Mar 31	Turnover(Em)	Pre-tax profits/ losses(£m)					
1980	110.9	11.39					
1981	111.97	S.56					
1982	105.21	(1.44)					
1983	82.65	(4.84)					
1984	73.56	(2.78)					
1985	71.06	0.67					
1986	68.6	1.11					
1987	60.2	0.74					
1988	72.S	2.26					
1989	81.52	4.44					

production. And £5m was raised by means of a rights issue to restore B. Elliott's financial strength and enable it to make acquisitions.

Simultaneously, Michael Frye developed a way to bring about a qualitative transforma-tion of B. Elliott's businesses, both in the way the company was run and in the quality of what it produced. But he believed this could be done company's workforce. "It was very much the attitude - this is business; what do you think about it." the way we want to run the

He called a meeting of the and asked for their advice. Michael Frye suggested some ideas and asked for reactions. At the end of this process an overall strategy had been ham-

t was decided to concen-trate on four main busi-nesses: specialised engielectronic neering, engineering, machine tools, and South Africa. All these divisions were given an imme-

diate target of producing £1m in profit. "We did not want to be a conglomerate, we wanted business. People then began to understand what we were all

With a firm direction out-lined and a strategy and course of action determined, Michael Frye set about selling the mis-sion to the workers. He did so by using an amalgam of tech-niques he had picked up throughout his career and fashioning them into, what he called, a workhome pro-gramme. He stressed that little of this programme was original and that most of it was culled from his time working on the factory floor of a West German factory; from his studies of management and mechanical engineering at the Massachn-setts Institute of Technology; from a wide reading of man-agement theory; and from his practical experience of running Rotaflex, e lighting company.

This programme consisted of series of discussions and self-analyses which Michael Frye arranged within B. Ell-iott's constituent husinesses.

"The head office management simply acted as a catalyst to make things happen."

Each company was asked to appraise its performance in six categories: profit and performance; financial discipline and rigour; total quality and full customer service; knowledge of market size, B. Elliott's share, and competitor activity; innovation and product develop-msnt; and total employee involvement and full communi-

They awarded themselves e number of points for how well they thought they currently performed in each category and then had to suggest how well they thought they could perform. Typically, a company would give itself a score of between three to seven on current performance and see eight to ten as achievable.

Michael Frye stressed it did not matter at all whether his perceptions of a company's per-formance matched its own - it was the relative weighting that mattered. "They still have to do better," he chuckled.

Once the company had iden-tified how well it could do it then had to set down a list of critical factors and key influsnces which prevented it or would help it achieve what it said it was capable of.

Such factors and influences Such factors and influences, for example, might include exchange rates, competitor activity, quality of service, the possible effects of the 1992 single market programme, or restructuring of its businesses. The advantage of doing this, in Michael Frye's eyes, was that



Michael Frye: wants to improve the communications and attitude in the company "and realise the workforce's potential"

it highlighted reasons for any possible underperformance and gave the company the chance to act in anticipation. Each company had to concentrate on what affected its long term strategy and short term performance and could then work out the best way to tackle its difficulties, imagined or real.

The main thrust of Michael Frye's approach was to pro-duce more independent and creative business units within B. Elliott's overall structure. He tried to give people enough leeway so that they could make creative changes while still maintaining effective financial controls - the individual companies' "green books," which contained 100 pages of financial information submitted to the head office, have now been whittled down to one

He admitted the balance could sometimes be very hard to achieve and that there was an element of risk attached to the approach, but he said: "If you reduce the risk by 10 per cent you reduce the reward by

page of essential information

per cent." Michael Frye was also conscious that many of these good intentions could remain just that unless great emphasis was placed on implementing the ideals; it was no good dreaming no great abstract notions if they remained only in the realm of speculation. He therefore continually urged his col-leagues to stop intellectualis-ing and get on with the business - to walk the talk, as

He said he was constantly spurred on by his father's admonishing question - "what would you like on your tomb-

he expressed it.

ichael Frye conceded that it was hard to judge how successful his workhome programme has been as it was still in its infancy, but he was adamant that it had already resulted in

change.
"What has definitely happened is that there are improvements and the understanding of what we are trying to do is much higher. There is

now more cohesiveoess and less politics," he says.
On a more tangible plane, B. Elliott's scrap rate at its foundry has been reduced from about 20 per cent to less than

10 per cent; and substantial cost savings have resulted from worker's suggestion as to how the the distribution network could be re-organised.

Furthermore, a Gujarati-speaking MBA studsot has now been employed in Leicester to ensure the workers know

how to play soccer.

In addition to the changes taking place within the company, Michael Frye is optimistic about the future of British manufacturing industry, citing three three main reasons:

● The industry's obsession with quality - which he describes as a healthy epidemic - is making UK manufacturing companies globally com-petitive. The UK, he argues, was very late to pick up on the tremendous sea-change that took place in the world manufacturing in the late 1960's and early 1970's, when engineers developed technologies to manufacture products to extremely high technical specifications

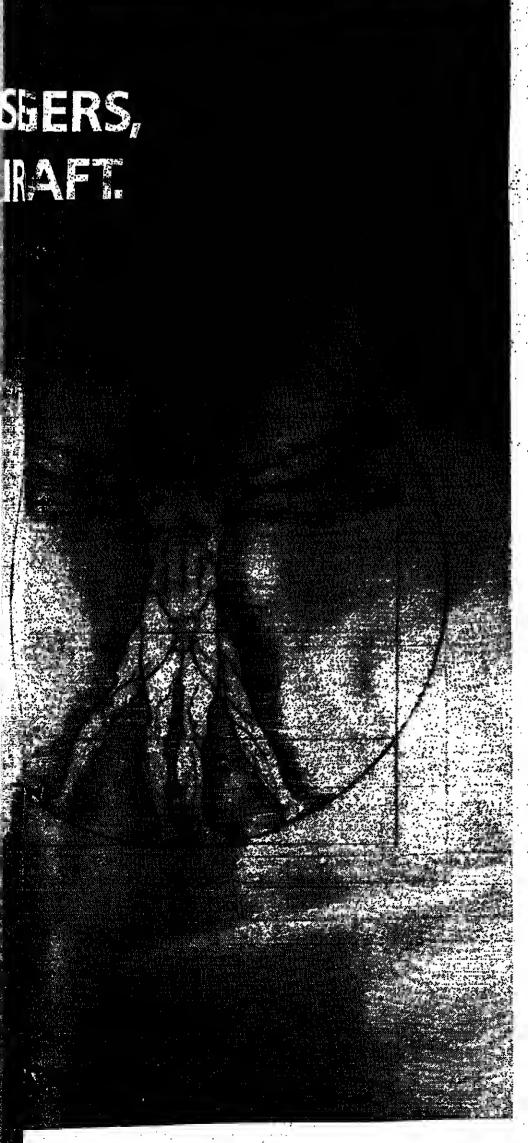
with near-perfect quality.

Both the UK and the US were slow to introduce new manufacturing methods and attitudes with the result that Japan forged ahead, winning vast tracts of existing markets and creating entirely new ones. In the last five years, he says, this has changed as UK and US companies have begun to catch

The industry trend towards global purchasing and the implications of 1992 offer UK companies great opportunities. The shift in component mannfacturing towards smaller specialist contractors will help UK companies estabhish themselves as the cost of skilled labour in the UK is about half that in West Germany. "Britain is becoming one of the low-cost manufacturers in Europe," he says.

• The influx of Japanese manufacturing companies into Britain will force resident suppliers to compete at a higher level. Michael Frye believes the Japanese will source compo-nents in the UK provided the quality is good enough. "But we will have to operate to the same standard as if we were in

Provided these trends have the effect he believes they may, Michael Frye says UK manufacturing will he able to recover lost ground.



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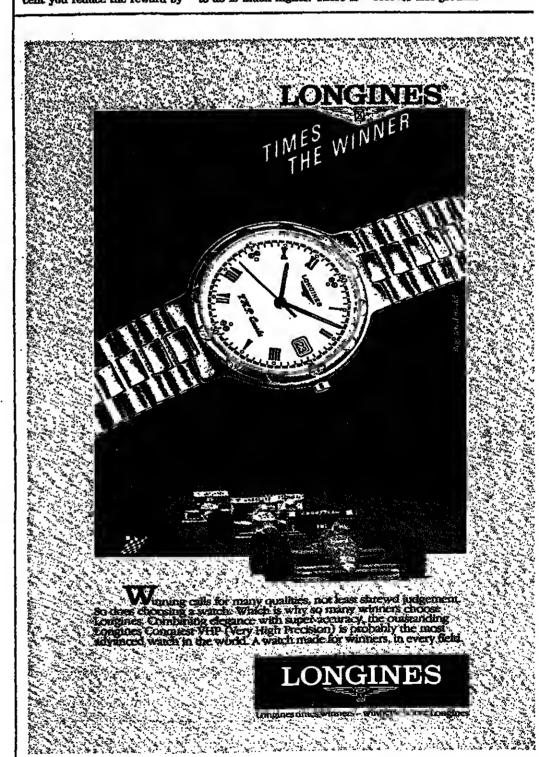
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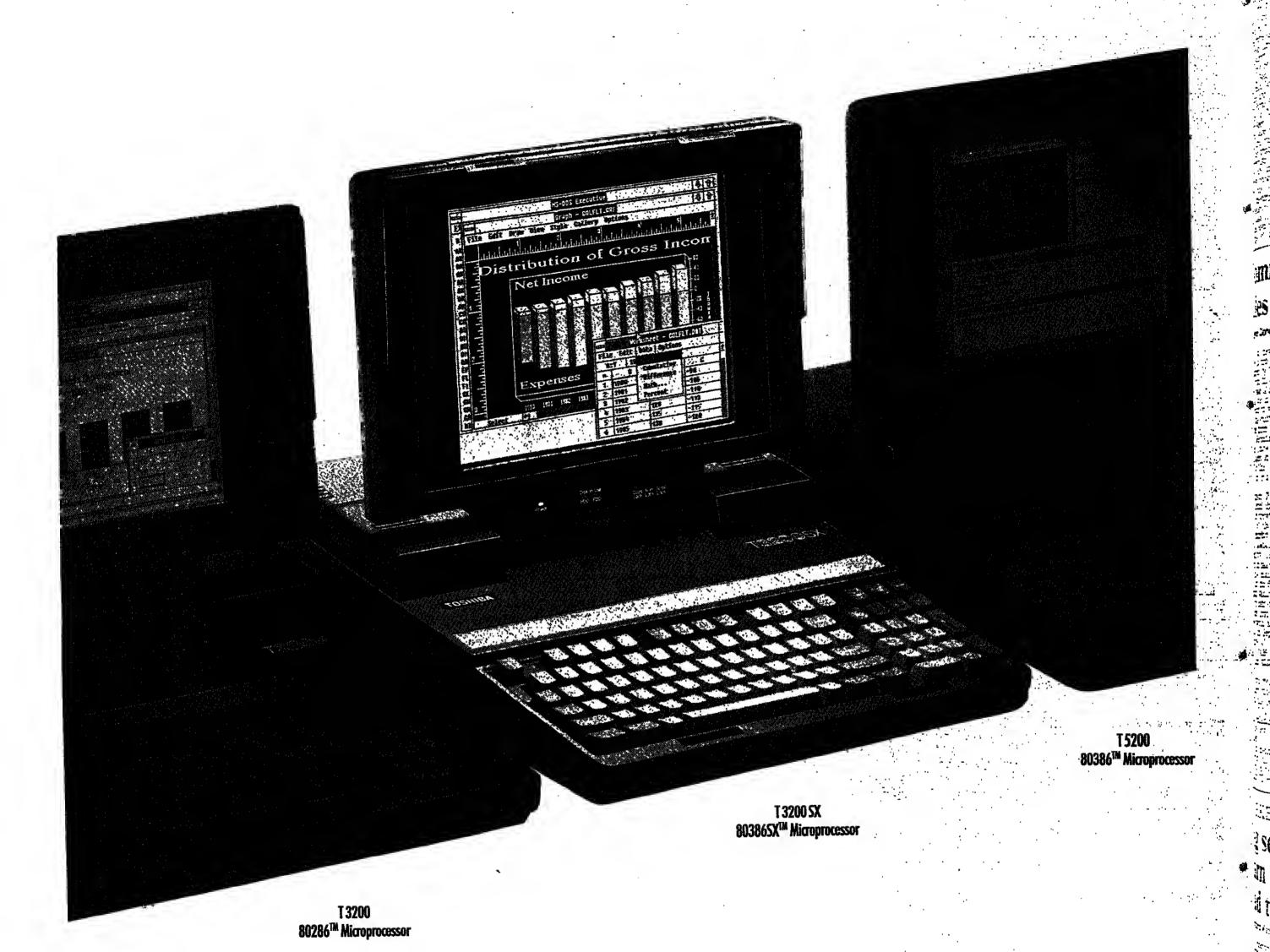
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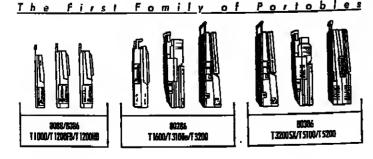
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UK NEWS

Convictions against the Guildford Four, jailed in 1975, are likely to be dropped

IRA bomb case four set to be freed by Appeal Court in working hours

By Robert Rice, Legal Correspondent

THREE IRISHMEN and a conference. Today's meeting is Exitish women imprisonated for murder after homb attacks in Childford and Westman. Guildford and Woolwich in 1974 were on the brink of free-dom yesterday after a surprise announcement by the Director

And the second s

announcement by the Director of Public Prosecutions.

The Guildford Four, whose case will be heard tomorrow at a specially expedited sitting of the Court of Appeal, could be released later this week.

In his statement, Mr Allan Green, the DPP, said circumstances had come his notice which meant "it would be wrong for the Crown to seek to

wrong for the Crown to seek to

sustain the convictions.

The move signals the end of a 15-year campaign by many establishment figures to secure the four's release including Cardinal Bestl Hume; leader of the Roman Catholic church in England and Wales, and two former Home Secretaries, Lord Jenkins of Hillhead and Mr

Merlyn Rees.

It will ease tension between British and Irish Governments about the treatment of suspect

IRA terrorists.

While the timing is almost certainly coincidental, it may scothe the atmosphere at today's meeting of British and Irish ministers in Belfast. The case of the Guildford Four has been raised at several meetings of the Anglo-Irish

Mr Paul Hill, Mr Gerard Conlon, Mr Patrick Armstrong and Ms Carol Richardson were con-victed after bombings at pubs in Guildford and Woolwich, frquented by British Army per-sonnel, in which seven people died and a total of more than

80 were injured.
During their trial they withdrew confessions and claimed
that they had been mistreated

the four have always maintained their innocence. Their trial at the Old Balley took place at the end of the most savage and sustained IRA bombing campaign ever carried out on mainland Britain. In August that year six Birmingham men with Irish backgrounds had been convicted at grounds had been convicted at Lancaster Crown Court of the biggest mass murder in British

higgest mass murder in British history in which 21 people died in two pub bombings.

The confessions of the four members of the IRA active service unit arrested in the 1975 Balcombe Street slegs were crucial to any re-examination of the case of the Guidlford Four-they said they had done the Guidlford and Woodwich bombinest but were never bombings but were never charged.



OCTOBER 1975: Horse and Groom pub Guildford

In January this year, Mr Douglas Hurd, the Home Secretary, referred the case to the court of appeal. The Home Office said that in subsequent through the court of the DPP's statement to the DPP's decision will be revealed to the DPP's decision will be re investigations by the Avon and Somerset police information had come to light which led to

positively. In a statement it expressed, "great relief and sat-isfaction at this outcome."

A Government source said:
"It's the one bit of good news in Anglo-Irish relations for some time." Ireland is now likely to press for an urgent review of the sentences of the

Mr Gerry Collins, the Irish Minister for Foreign Affairs, recently met Mr Douglas Hurd about the case, following revelations about the conduct of the Serious Crime Squad of the

West Midlands police.
However, the conclusion of the case of the Guildford Four will not end unease in Northern Ireland's nationalist community about the British judi-Lord Havers, former Lord Chancellor and Attorney Gen-eral, was prosecuting counsel

in the trial and appeal. Sir Peter Imbert, Metropolitan Police Commissioner, was one of the bomb squad investiga-tors who took the confessions. Among some Unionists there was scepticism yesterday. The Rev Ian Paisley, leader of the Democratic Unionist Party. was waiting more details but said: "If it turns out that this is some kind of sop to the Dublin Government-and is intended to take the steam out of attacks on the UDR-then it would be a very serious matter

The hearing before the Court

By Michael Smith, Labour Staff of Appeal was due to begin on MANUAL EMPLOYEES at January 15 next year. No rea-Vauxhall, the General Motors subsidiary, have been offered holiday entitlement of up to eight weeks a year — among the highest in Britain for manufacturing workers — as part of an ideal son has been advanced for the DPP's sudden decision to ask the Court of Appeal for an expedited hearing to make an application on behalf of the Crown that it would be wrong for it to seek to sustain the

tions deal.

Vauxhall unveiled its workconvictions. But even without this draing hours offer as unions pre-pared to start balloting matic intervention, the hearing next January would have been pared to start balloting employees of four other companies today on whether they will spearhead a national campaign for a shorter working week in manufacturing by staging indefinite strikes.

Although the Vauxhali initiative would increase the working week by one hour to 40 hours, it has suggested that two hours a week be "hanked" fraught with difficulty. In these situations, the Court of Appeal has basically three options. If satisfied that the new evidence is sufficient to

make the original convictions unsafe and unsatisfactory it can quash the convictions. The four would have been instantly free, but there would be have 40 hours, it has suggested that two hours a week be "banked" to create an additional 11 days holiday a year. The effect would be to reduce the working week to 38 hours, it said.

The company's "final offer" is likely to fuel concern about spiralling wage inflation. Although Vauxhall said much of the higher holiday costs been no pardon and no auto-matic right to compensation.

In the light of the DPP's intended submission on Thursday, it would seem the tha Court now has little option but to declare the original convictions unsafe and unsatisfac-tory. The Guildford four will go of the higher holiday costs would be recouped through increased efficiency, its profree but without a pardon and . no automatic right to compenposed deal would also raise pay in the first year of a two year pay deal by about 9.1 per cent, considerably above the last reported inflation rate of 7.6 It will remain open for the Home Office to make them an offer of compensation or for them to sue for compensation for wrongful conviction and imprisonment.

announced plans to recruit 700 additional production and warehouse employees to add to the 9,000 manual workers it already employs. These would be needed because the company planned two extra weeks of production a year - by shortening plant-wide shut-downs - and to produce 28,000

Vauxhall offers cuts

more vehicles annually.

Most manufacturing employees in Britain are entitled to about five weeks holiday a year and Vauxhall workers presently get between 25 and 28 days off a year. If the deal went through, they would be entitled to another one to two days, plus the extra 11 for working 40 hours a week. The offer met with a mixed

response from unions. Mr Jack Whyman, executive member of the AEU engineering union, described it as a breakthrough. However, Mr Steve Broom-head, chairman of the union negotiators and an official of the TGWU general workers' union, said initial reaction among shopfloor workers was unfavourable.

They objected to Vauxhall's proposals that it could require workers to work eight hours overtime a fortnight, and that the increased holidays would be allocated by computer rather than to fit in with

Commercial vehicle sales 'will weaken'

By Kevin Done, Motor Industry Correspondent

SALES of new commercial tions. oer jumped by 7.59 per cent to 34,437 from 32,009 a year ago, but the rate of growth is alowing and the industry expects the market to weaken further in the final quarter.

Figures from the Society of Motor Manufacturers and

Traders show commercial vehicle shes in the first nine months of the year were 3.48 per cent up on a year earlier at

300.033.
Mr Simon Foster, SMMT director, said that the fall in the rate of growth at the lighter end of the commercial vehicles market was a reflec-tion of a slackening in retail sales activity. He said that a slowdown in sales at the heavy

end of the market was also expected in the final quarter. Imposed vehicles accounted for 39.7 per cent of the UK market in the first mine mouths compared with 40.33 per cent a year ago. In September alone the share of imports fell sharply to 34.99 per cent compared with 42.55 per cent 2

year ago. New registrations of small vans (micro vans, car derived-vans and pickups) fell in Sep-tember to 10,763 from 11,176 a year ago, reflecting the parallel fall in the new car market in

Sales of medium vans and trucks were still higher than a year ago, however, despite tightening UK economic condi-

vehicles in the UK in September jumped by 7.59 per cent to 34.437 from 32.009 a year ago, but the rate of growth is slow: the market leaders with DAF, the market leaders with DAF capturing 21.54 per cent of the market in the first nine months compared with the months compared with the 22.79 per cent held by Iveco Tradevs show commercial

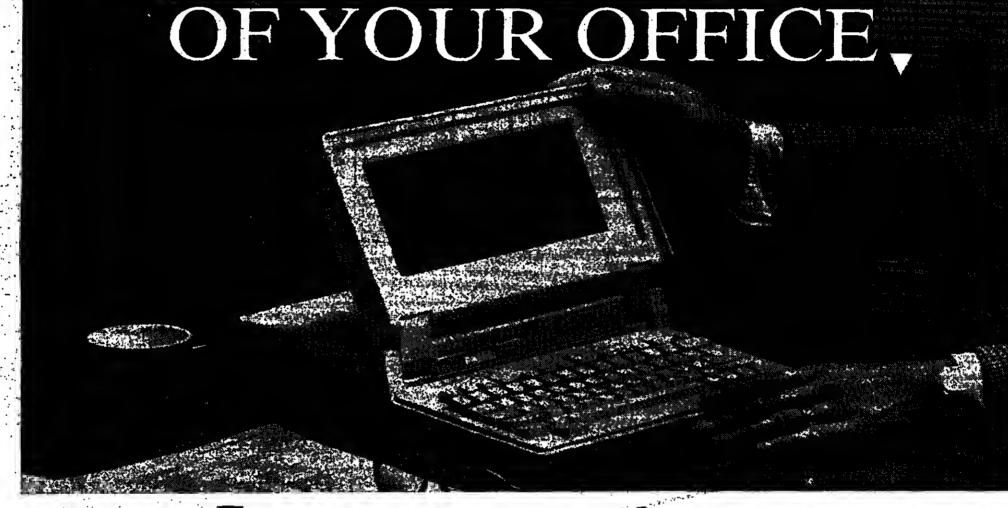
Both have lost ground to some of the leading importers, however, such as Mercedes-Benz, Volvo and Scania, as well as to the small specialist UK heavy truck makers ERF and Foden.

The main loser in the UK truck market this year is Ren-ault Truck Industries, which is facing rising losses and which has suffered a 6 per cent fall in seles volume in the first nine months in contrast to an 8.8 per cent growth in the market. Scinia of Sweien has made important inroads into the heavy truck sector with a 25.6 per cent growth in seles volume increasing its share of the

segment to 9.5 per cent from 8.4 per cent a year ago. iveco Ford, the overall truck market leader has lost ground in the light truck segment, but has increased its sales of heavy trucks (over 15 tonnes) by 12.8

per cent. DAF (Leyland DAF), the leader of the UK heavy truck market, has been the main loser suffering a fall in market share to 21.8 per cent from 24.4

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Problem Solved

MARKETS IN TURMOIL Big securities firms warn volatility may lead to more cuts

By Richard Waters

SENIOR executives in several big securities firms suggested yesterday that this week's violent stock market movements could lead to a new wave of cuts in the industry, with more redundancies to follow those of the past two years.

According to the chief executive of one international

utive of one international securities firm: "Clearly, the volatility that has suddenly emerged in all markets is extremely worrying for us. These kinds of gyrations cause deep concern."
The effect would be to drive

all but professional investors away from the equities mar-kets, he said. The result: lower trading volumes, and declin-

ing commission income.

However, firms were relactent yesterday to say that the
market movements of this
week will inevitably lead to
further redundancies. "It
really depends on whether we have seen the beginning of the next hear market," said one. "If so, we will need to cut

costs, and cutting people is the costest way of doing that."
This follows a year in which confidence – and larger trading volumes – had begun to return to the securities industry after a long quiet spell after the 1987 crash.

That crash brought with it falling commission levels and big job losses. Commissions paid by institutions declined by over a quarter on Wall Street last year, according to researchers Greenwich Associites, while more than 10,000 jobs are thought to have been

An analysis by US rating agency Moody's, completed shortly before Friday's sharp drop in New York, warned that there was already severe overcapacity in the global securities business and that a chelle sections. shake-out was coming.

Market participants also warned that the violent swings in the market could force market makers to take fewer risks in the months ahead to avoid damaging losses.

"You have to become more and more risk averse," said "After large movements that, I can't believe anyone will be prepared to run large open or uncovered posi-tions for very long. If people are not prepared to go out on a limb, the volatility becomes

Morket makers had built up large positions in stocks before the 1987 crash, bringing big losses. The exposure of most firms is believed to have been much smaller this time round, though this has done little to calm nerves frayed by

the week's volatility.
This also brought calls from some quarters for a fundamen tal re-examination of the UK's trading system, created only three years ago and already the subject over the past year

of significant adjusts As a member of one US firm in London put it: There is the whole question of whether we have it right here. What we may need is circuit breakers. Otherwise, you have to live with volatility, and the chance that the rug will be pulled out

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Amount outstanding: UA 10,000,000 Bonds previously drawn and not yet presented for redemption: 855 to 16 and 17 4≥ to 48 Incl. 51 and 52 57 918 and 919 962 to 1018 to 965 incl. 57 71 to 1023 incl. 1232 incl. 1290 incl. 22751 73 incl. 84 Incl. 98 incl. 22807 and 22808 22837 to 22860 incl. 22883 and 22884 22957 to 22959 incl. 1226 to 1279 to 1303 and 1304 102 104 112 to 1364 1368 snd 115 incl. 1368 snd 1369 1380 to 1383 incl. 1392 and 1393 112 to 115 incl.
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146 and 147
173 to 177 incl.
180 to 183 incl.
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251 to 255 incl.
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UK NEWS

Climate summit considered

By Philip Stephens, Political Editor

Government is considering hosting a major conference on global climate change to add political impetus to international efforts to combat the gradual warming of the earth's atmosphere or the "Greenhouse effect."

Mrs Margaret Thatcher, the Prime Minister, may announce plans for the conference during a speech on environmental issues to the United Nations in New York on November 8.

She hopes to put Britain in the forefront of talks to establish an international convention to restrict the gas emis-sions responsible for the

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following year.

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one-for-10 basis after three

the sale, said yesterday.

By Clare Pearson

gradual warming of the earth's atmosphere.

The suggestion of a conference, however, has irritated some of Britain's Western partners. They believe that it might distract attention from existing efforts to establish guidelines to reduce the emisgions - notably those of carbon dioxide.

Canada, which has been among the most forceful expo-nents of such a convention, is said to be among a number of countries who are sceptical about the value of a London

It wants the focus of inter-

national efforts to remain on the work already being done by the Inter-Government Panel on Climate Change established by the World Met-ereological Organisation and on preparations for a UN conference on the environment and development in 1992.

The IPCC is due to report on its deliberations next summer and that will be followed by meeting in Geneva in November to consider its recommendations. Some officials closely involved in that work believe it would be difficult to hold a separate meeting in London before then.

Borrowing figure above expectations

By Patrick Harverson, Economics Staff

A GRADUAL weakening in the Government's fiscal position was apparent yesterday after official figures showed that the public sector borrowing requirement last month was £234m.

Wednesday, November 15 to qualify for the special incen-tives, J. Henry Schroder Wagg, the merchant bank advising on The figures unsettled the City of London which had been expecting a surplus in Septem-

It said the pathfinder pro-spectus would be published on November 3, giving informa-tion on each of the companies but omitting crucial financial data, such as the common ber of around £100m.
The public borrowing figures suggested that the slowdown in domestic demand and general economic activity, under share price. This is expected to be announced during the week of November 19. Dealings are pressure from high interest rates, is cutting Government expected to start in December. revenues by more than expec-ted, while public spending Despite the controversy sur-rounding the share sale, and

remains buoyant. Yesterday's figures increased the likelihood that the Govern-ment will fall short of its target of a £14bn PSBR surplus this financial year.
With six months of the finan-

cial year gone, the cumulative surplus stands at £500m, which is well down on the £3.6bn surplus at the same stage last

If the effects of privatisation proceeds were excluded, the PSBR would have been over £1.4bn last month, and £2.5bn for the first half of the year. This is almost double the £1.3bn in the first six months

In the light of yesterday's figures, City analysis predicted that the PSBR surplus would be between £11bn and £12bn this year. Mr Nigel Lawson, the Chancellor of the Exche-

quer, is expected to announce a revised PSBR forecast in the

Autumn Statement next

month. The Treasury said, however, that Government finances would receive a sizeable boost when receipts from corporate taxation arrive in October, and

agein in January.
These receipts will date from a period, stretching back over a year, when British company profits were exceptionally high on the back of the fast-growing

In the six months to the end of September, total tax receipts were 3 per cent up on the same period in 1988 at £63.1bn. This compares with the Treasury forecast of a 5 per cent rise in total taxes this year.

Income tax revenues continned to rise at a steady rate. Last month cumulative inland revenue receipts were £31.9bn for the six months to September, up 10% per cent on the same period last year, reflecting strong growth in wages and employment.

Supply expenditure, which gives the best guide to Government spending, was 6% per cent higher in the first 6 months of the financial year than at the same time in The Government's accounts

were in deficit last month in

spite of £1.2bn worth of

receipts from the second instal-

ment on British Steel shares.

In Brief

Charter 'not leading to minimum EC wage'

The European social charter of workers' rights will not lead either to a European minimum wage or to all workers having the right to join a union, Ms Vasso Papandreou, the EC Social Affairs Commissioner, said during a UK visit, writes

John Gapper. Ms Papandreon offered a modest interpretation of the charter's effects to a House of Commons committee. She said the charter's practical implica-tions depended on the Commission's forthcoming action pro-gramme of legislative proposals to implement it, but emphasised the degree of national diversity the charter would allow.

Poll tax 'chaos' There will be "administrative chaos and confusion" in uve cnaos and comusion. In England and Wales when the poll tax is introduced in April because of the last-minute introduction of concessions by the Government, local authority leaders told Mr Chris Pattern Environment Secretary.

Caution over transport Construction companies are "cynical" about the prospects for private financing of transport infrastructure projects-says a report published by Industrial Market Research.

ten, Environment Secretary.

Urge to return work A quarter of retired people would probably be interested in returning to work if they were offered appropriate jobs, says a survey by the Confeder-ation of British Industry.

Lloyd's syndicate action Members of the Lloyd's syndicate formerly managed by Mr Cyril Warrilow started a legal action against the syndicate's auditors and 40 members' agents who introduced them to the syndicate.

BT lifts age limits British Telecom has virtually stopped specifying age ranges in recruitment advertising to widen its sources of new staff.

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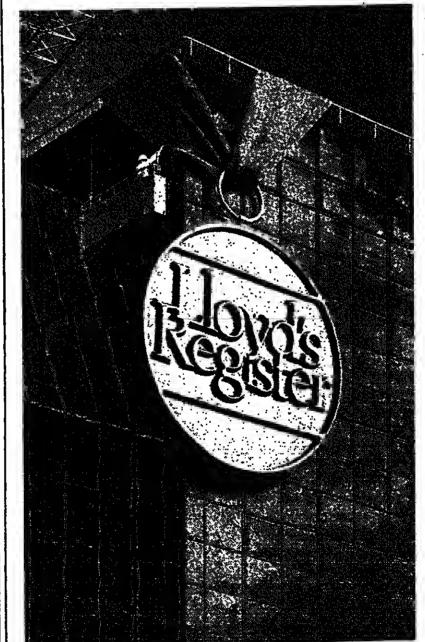
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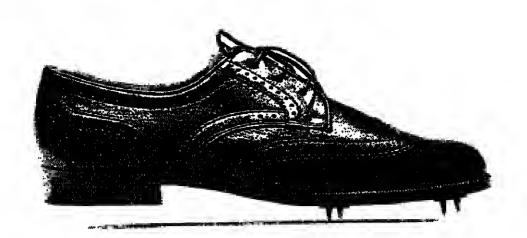
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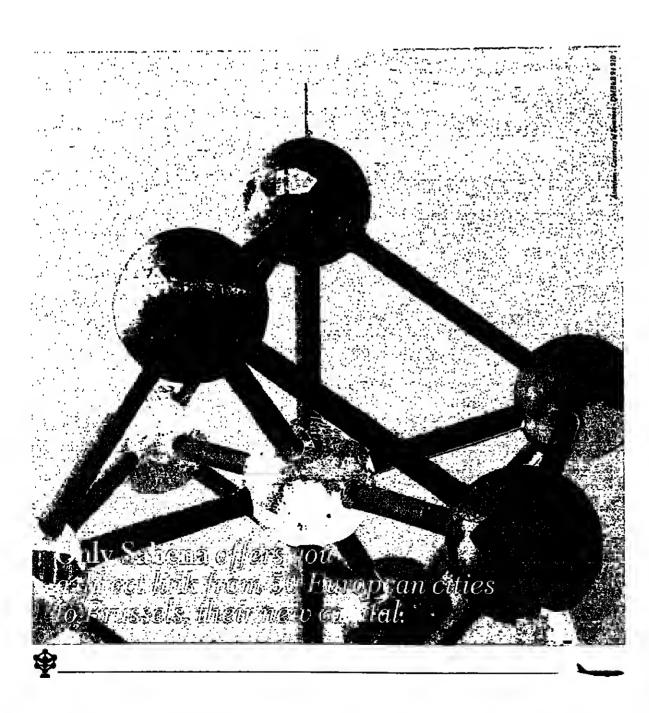
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UK NEWS

Public inquiry called over London City Airport plan

By Andrew Taylor, Construction Correspondent

A PUBLIC INQUIRY is to be held into plans to expand London City Airport.

Two UK Government departments, environment and transport, made the announcment

yesterday.

A public inquiry is also be reopened into plans to build a bridge across the River Thames between Beckton and

The design of the bridge, known as the East London River Crossing, was modified earlier this year. The height of the bridge was lowered to prevent it interfering with jets landing and taking off from the

nearby London City Airport.

Mowlem the construction group which owns and operates the airport wants to

Receivers

at Finlays

ADMINISTRATIVE receivers have been appointed at Fin-

lays, the chain of newsagents, following cash flow difficulties. Arthur Andersen, the receiver,

was called in on Monday morning by Citibank, which had lent money to Finlays.

Mr John Talbot, an Arthur

store chain, with sales in its

last financial year of £49m, could be sold as a going con-

Finlays is one of the larger chains in a highly fragmented market. Mr Talbot said he was

already having discussions

with prospective buyers. Mr Arunbhai Patel, chair-

man of Finlays and an accoun-

tant, said that the harsher retail climate and high interest

rates were largely to hlame for

the company's predicament. He said he thought other news-

called in

By Maggie Urry

increase the length of the runway to allow the British Aerospace 146, known as the whispering jet, to use the airport.

It also needs planning per-mission to change the existing noise agreement which restricts the number of flights which can be made hy the Dash 7 currently using the

loss-making airport.
The British Aerospace 146 can carry more passengers and has a greater range than the Dash 7-although it is noisier.

Mowlem has been negotating with London Dockland Development Corporation in a hid to

opment Corporation in a bid to get the agreement changed but the corporation has been concerned at the impact this may have on its plans to encourage more housing development in

the former Royal Docks. Mr Chris Patten, environment secretary said vesterday he had decided to call in Mowlem's applications to extend the runway and to change the

noise agreement. Mr Patten and Mr Cecil Parkinson, transport secretary have also decided to reopen the

public inquiry into the East
London River Crossing.
It had been proposed to build
a suspension bridge with tall
pillars. This would have interferred with larger aircaft using London City Airport. A change in the design to a lower box girder bridge was announced this summer by the Transport Department.

A public inquiry will now be held into the revised designs.

Pension fund returns outrun UK inflation

By Eric Short, Pensions Correspondent

INVESTMENT managers of UK company pension funds have achieved an average total achieved an average total return of 26.5 per cent on their investments, excluding property for the 12 months to end-September 1989; or 25.9 per cent if property investments are included.

These figures issued by the

are included.

These figures, issued by the WM Company, one of the world's largest investment performance measurement firms, reflect the strong rise in the UK equity market in the first nine months of this year.

Since most company pension Andersen partner and one of the receivers appointed, said he was hopeful that the 185-

Since most company pension schemes fund in advance for retirement benefits based on an employee's earnings at or near retirement, the first benchmark of the underlying investments is to outperform

the rise in earnings.

Over the comparable period, national average earnings are estimated to have risen by around 9.5 per cent, and the retail price index climbed 7.6 per cent in the 12 months to agents could be suffering simi-lar problems. In particular the group had needed to raise extra working capital hat had been unable to do so. The for-September 1989, so investment managers are comfortably outpacing earnings growth as well as price inflation. mer owners of the wholesaler, Trebor, had given Finlays gen-erous credit terms.

The WM analysis shows that pension funds still hold well over half their assets in UK

equities, which showed a total return (including reinvested income) in excess of 30 per cent in the 12 months to end-September, but the proportion of assets held in overseas equities has been increasing steadily, and is now approaching 20 per cent. The average return from overseas equity over the period

amounts to 35.7 per cent.
Pension funds still tend to hold relatively less in Japanese equities - under 5 per cent-compared with over 7 per cent in US equities, even though Japan is now the world's larg-

est equity market measured by market value.

This lower Japanese equity weighting has been beneficial to performance, since the WM analysis shows that in the nine months to end-September, Japanese equity holdings showed a rise of 12.6 per cent against 44.1 per cent for US equities.

Returns on direct UK prop-

erty holdings rose by 24.9 per cent rise over the 12 months but only 16.4 per cent for the nine months to end-September. Equities are once again outperforming property, and property holdings in pension fund port-folios are still declining as a proportion of total assets.

MPs round on ministry over weapon development

By David White, Defence Correspondent

A WEAPON that arrived five years late, overtan costs by 40 per cent and may not do the job it was designed for has been singled out by a crossparty committee of MPs as exemplifying the defects of procurement practices at the Ministry of Defence.

In a report on the Army's LAW 80 short-range anti-tank weapon, the Commons Defence Committee attacks "inadequate management of the project both by the MoD and by Hunting Engineering, the prime contractor.

"This one project exempli-fies most of the main factors which, all too frequently, cause major equipment devel-opment programmes to esca-late substantially in cost and to be seriously delayed," it

The requirement for the \$339m programme was changed after work had begun in the late 1970s, after the

in the late 1970s, after the MoD had reassessed the kind of armour the weapon would need to penetrate.

The committee says the shoulder-fired LAW 80, which finally entered service with the British Army last year, has "limited" effectiveness against the latest Soviet armour. It says the weapon is designed to counter thicker armour, but not explosive reactive armour (ERA) explo-sive steel boxes designed to deflect a weapon's impact.

"It would seem therefore that IAW 80 will not be capable of penetrating the frontal arc of the latest Soviet tanks where this is protected by ERA." the committee says ERA," the committee says.
This is despite an Army

view, cited in the report, that the weapon is "better than any other similar system in the world."

It accepts that following a temporary halt in the pro-gramme in 1985 "development has continued on much sounder management and con-tractual footings and has been

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MODINGE

free of significant problems."

House of Commons Defence Committee, 11th Report, The Procurement of the Light Anti-Tank Weapon LAW 80, HMSO,

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FINANCIAL TIMES

What counts above all is sheer talent

ore and more attention is paid to television yet fewer and fewer programmes seem worth watching. Could there be a connection? Over the last five years the amount of space devoted to the discussion of the mass media in general and television in particular — indeed, the most minute dissection of every conceivable aspect of television - hae increased exponentially. You can hardly open a exponentially. You can hardly open a broadsheet newspaper or switch on the television without finding yourself immersed in yet another discussion of cross media ownership, satellite broadcasting or the anctioning of the ITV franchises. The only subject which has been even more rapidly inflated is business news which, by now, must be driving the non-business minded majority of the population out of its collective mind.

collective mind.

The tendency is for this mass media coverage to start out seriously but coverage to start out seriously but move steadily towards the trivial, though the Press seems to be an exception, both as subject and practitioner. Hard News, the Channel 4 series presented by my FT colleague Raymond Snoddy, has quickly established itself as a serious attempt by television to begin to do for newspapers what newspapers have always done for television: keep a watching brief on the medium on behalf of the public. And the media sections in The Guardian, The Independent and the of the public: And the media sections in The Guardian, The Independent and the Sunday broadsheets remain serions enough, if remarkably changeable in space, staffing, and position.

But BBC1's morning programme about television, Open Air, seems increasingly interested in the soaper ride of the spectrum and Cale Mair.

side of the spectrum, and C4's Media side of the spectrum, and C4's Media Show has just begun a new series with Emma Frend as presenter. She is pleasant to look at, has an impressive name, and can read autocue without looking like somebody pearing through a two-way mirror. But her known expertise is in the lightest sort of chat show businese (remember her interviews in hed for Night Newdock?) and if she has any special knowledge of the mass media it has been kept a dark the mass media it has been kept a dark secret so far.

There are probably several reasons for this tupprecedented coverage of the mass media: the public devotes an increasing amount of time to them; the lives of the leading personalities provide gossip; but above all, as industries, they are growing, and growing fast. This, surely, could provide the connection, and explain the paradox of more and more attention being paid to television at the very time when so few programmes seem worth when so few programmes seem worth watching: the rapid expansion has spread the available talent too thin, so that although the quantity has gone up

the quality has not. It is worth emphasising that the sheer bulk of television really has increased greatly in the past few years. True, at any given time there are relatively few people watching Ken Russell's sexually explicit, and breakfast television. Channel 4, late funny, Crimes Of Possion.



Old fashioned but amiable and charming: Michael Palin in "Around the World in 80 Days"

night television, daytime television, cable television or satellite television. But all have come into existence in the last few years, all have to be staffed somehow, and filled with programme material, and thus they have added to the competition for the available talent. So there could, indeed, be a connection between the unsurge in media coverage and the increasingly frequent assertion that "There's nothing worth watching." very rapid expansion in both cases.

Certainly it is true that, although our household has had an Astra satellite dish for several months now, its programmes are seen pretty rarely. Visiting children like to watch the rock videos provided 24 hours a day by MTV. When radio has alerted us to a news event we sometimes turn to Sky News (a perfectly respectable, indeed admirable, service, albeit thin on the ground) for pictures, this also being a 24 hour service. And once in a while, in among Revenge Of The Nerds and Douth Wish Three, Sky Movies will show something that is unavailable elsewhere on British television and which somebody wants to see — Alan Parker's Angel Heart for instance, or

We have also been sampling RTL-V recently, a Dutch service which was sitting there on Astra's Channel 13 when we returned from our summer holiday. But, like so many of the other recent offerings, it seems to consist largely of studio chat and rock videos. In this house the amount of time spent with Astra simply does not justify the provision of all those new channels.

So what of conventional terrestrial television? My list of "Programmes I Would Not Miss" contains just four titles: from BBC2, Nice Work, David Lodge'e adaptation of his splendid satire on Thatcherite Britain, and Alexei Sayle's Stuff, which does not even begin its second series until tomorrow, from BBC1, Blackadder Goes Forth, even though this is not as good as the Elizabethan series, and the jokes are becoming dangerously repetitive (ludicrous similes from Blackadder, desperate stupidity from Baldrick, the over-working of Capt. Darling'e surname); and from C4 Mushroom Magic, one of those unpredictable series on an obscure subject which prove quite isscinating.

There is a considerably longer list of "Programmes I Would Happily Watch." Again BBC2 tops the list with

Newsmight, The Late Show, M.A.S.H., 40 Minutes and Keith Floyd's latest cooking-and-travelling series, Floyd's American Pie. ITV provides The South Bank Show, World in Action and the bank drama described here last week, Capital City. From Channel 4 comes the newspaper series mentioned above, Hard News, and Saturday's late night studio discussion series After Dark And BBC1 contributes Heart Of The Matter and Around The World In 80 Days which opened last week and promptly proved to be a little old fashioned yet relaxed and charming. It is the sort of series which depends almost entirely on the personality of its presenter, and Michael Palin is amiable

since Neuvinight is on five nights s week and The Late Show four, that makes a total of 19 "Would Happily Watch" programmes, and a grand total of 23: more than three a night on average, and scarcely grounds for complaint, it may be said. Yet this is only a tiny fraction of the output these days, and of that 23 only 4 are new this

There have, of course, been other programmes in the past week which were worth watching, either one-off programmes such as The Last Gulag, a post-glasnost French documentary about Russia's last camp for political prisoners, or single episodes within higger series such as Viewpoint 89's higger series such as Vieupoint 89's profile of Wilfred Thesigner, "The Last Explorer." There was also the first in a new series of interviews on C4 by the estimable Mary Golding, called Answering Back. Her first subject was Rupert Murdoch (who, given the evidence before our eyes of the Sun, News of the World, and Sky TV, was worryingly impressive) and the talk naturally covered the mass media. naturally covered the mass media waterfront, from cross media ownership to satellite broadcasting.

What it did not cover was the question of how, in a rapidly expanding, ever more cost-conscious industry (and from the very start that word industry sets television apart from the other subjects on this page from the other subjects on this page —
painting, music, theatre) you can bope
to sustain those lightning-bolts of
individual creativity which make the
whole thing worthwhile. When people
say "There's nothing on the box worth
watching" I suspect that what they
really mean is that John Cleese is not
appearing as Basil Fawity, there is no
Dennis Potter drama series, and David Dennis Potter drama series, and David Attenbough has for the moment put away his rucksack.

You can talk and write until you are blue in the face about the structure of the industry — about co-production money, cable way-leaves, quotas for independents or high-definition technology — but in the end what counts, above all, is sheer talent. It is in the short supply, and being spread ever more thinly over an ever increasing

Christopher Dunkley

Shylock

RIVERSIDE STUDIOS

Entitled The Merchant, Arnold Wesker's treatment of Shake-speare's Shylock story had started its American career when the star Zero Mostel died after one performance. It has enjoyed a Birmingham success and bas been favourably reviewed on these pages by Michael Coveney, but this "rehearsed reading" in Hammersmith (until Sunday), facilitated by an anonymous donation, marks the nearest approach to a financially elu-

sive London presentation.
Wesker's production moves
the actors round the stage with improvised furnishings, when they are not seated awaiting their cues in a vast semi-circle against black drapes. It is in fact virtually a staged produc-tion without decor or the period costumes for the 1563 setting. The puzzling critical cool-

ness over the past few years for the author of Roots and Chips with Everything is explained in the chief character himself. Like his (not Shakespeare's) Shylock, Mr Wesker has a generosity and warm openness to him that is suspect to the Anglo-Saxon temperament, though possibly less in America; and which certainly echoes more hollowly in the mean and soured Eighties than it did in the exuberantly hopeful Sixtles.

This Sbylock is a connoisseur and collector, a Renaissance devotee of culture. He and the merchant Antonio are affectionate friends; and the pound of flesh bargain is



Oded Teomi (top) and Frank Barrie

struck as a joke at Antonio's insistence despite Sbylock's initial revulsion at talk of securities and contracts.

The Jew brings a humanistic richness to the old businessman's stale life, and their relationship provides the theme for the play's snbsequent varia-tions: the difference between Shylock's blend of the spiritual and the pragmatic, an apparent contradiction that works, and the Christians' mixture of religious principle and material-ism - which does not.

Chief bigot is Lorenzo, a poetaster, dangerously articulate, whom Richard Lintern endows with cold menace. The cast boasts many promising young actors: Julia Lane, s Jes-sica strong and tense, Mark Sproston and Kate Percival as refugees from terror in Portu-

Julie Legrand is ultimately too warmly feminine for this Portia's reputedly masculine streak, but her playing is as sensitive and probing as ever. The distinguished Israeli actor Oded Teomi is Sbylock in faintly American English: robust sensit expansive thunrobust, genial, expansive, thunderous when necessary - the Topol school.

Martin Hoyle

Doña Rosita

THEATRE ROYAL BRISTOL

play is Doña Rosita the Spin-ster, or The Language of Flow-ers, and this virtually summar-ises its content. In Granada in 1900, Rosita, little rose, is engaged to ber cousin, who leaves to work in South America in Act 1 and is not seen again. Rosita (Susan Curnow smashing in a red dress) has been adopted by an uncle and aunt; the uncle, a passionate botanist, is growing a new rose, Rosa mutabile – brilliant red at midday, white in the evening, and dead by sunset.

Fifteen years later, in the next act, the cousin is still in South America. Rosita still loves him, but all he can offer is marriage by proxy, and actu-ally he has married someone else without mentioning it. In Act 3, over six years on, Rosita still loves him, though she has learnt of his treachery. Her uncle is dead and her aunt so poor that they must leave the house and move somewhere humbler. Rosita is indeed a Rosa mutabile, as she reminds us in a verse quotation from her uncle's botany book.

It is the players' and the director's job to concern us with this featureless landscape, and Phyllida Lloyd's direction is always interesting. She has a striking set by Anthony Ward, with a glass-panelled roof sloping back over the big sittingroom. In Act 1, the room contains a few flowers in pots; in Act 2, it is a jungle of indoor plants. In Act 3, two chairs are

all that remain.

Act 2 is full of barely relevant incident. Three local spinsters - tarts in Act 1, now merely jokes - call with their mother to celebrate Rosita's name-day, and are joined by the Misses Ayola, a giggling pair of dykes. There are amusing costumes and effective, bal-letic movement (by Petronilla Whitfield); so, though little is added to the story, we are always attracted to the stage.

The third act has no such resources, and Garcia Lorca has had to introduce hitherto unknown folk, a lame schoolmaster, a teenage boy, to give the now-elderly ount and her B.A. Young housekeeper something to do.
But we still have some arrest-

October 13-19

The full title of Garcia Lorca's ing sights as the two oldsters play is Doña Rosita the Spin-in black, and Doña Rosita, now of course in white, are artfully disposed about the empty

stage.
The final touch is great. All three leave by an upstage exit, the room shivers under the storm seen through the glass roof, and we are expecting the curtain to come down. Then a door suddenly blows open and for half a minute we silently contemplate the hopeless

Susan Curnow is a delightful young Rosita, a still attractive grown-up Rosita 15 years on,

and a handsome woman in middle-age, slower of walk, deeper of voice. Eve Pierce as the aunt and Sandra Voe as the faithful housekeeper are the only other three-dimensional characters; they age sympathetically. I also admired Peter Russell as

the schoolmaster, though he has little to tell us. Gwynne Edwards translated the Spanish, more successfully with the comedy prose than with the dramatic verse.

B.A. Young



Eva Pearce and Susan Curnow

A revolutionary view of criticism

CHELTENHAM LITERARY FESTIVAL

The last days of the 40th Cheltenham Literary Festival emphasised the sec-ond element of its theme "Tradition and Revolution" more than the first. On Thursday we had what has become Paul Foot's annual lecture on left-wing men of letters, a stimulating piece on men of letters, a stimulating piece on Marat. He published L'Ami du peuple rather in the style of the Daily Mirror, and the executions during the Terror were not really his responsibility. Mr Foot clearly despises his Cheltenham audience, but it loves him.

On Friday Professor Royden Harrison gave an interesting but on Sidney and Bastica Webb, whom we renember for

Beatrice Webb, whom we remember for the Fabian Society, the LSE, the New Statesman and virtually the Labour Party. Professor Terry Eagleton on Sat-urday presented a revolutionary view of criticism; authorship was unimportant, the reader's interpretation mattered as much as the writer's intention, and all writing was intertextually descended from other writing. In spite of this, he presented the annual Cheltenham Prize

to Medbh McGuckian for her poems, On

Ballycastle Beach. David Edgar's book of theatre essays, The Second Time as Farce, was dis-cussed by him with David Caute and Raphael Samuel, but they had too little difference of outlook to make their discussion truly exciting. Theatre criticism was more humanely served by Kathleen
Typan and Nick Hern, who spoke of
Kenneth Typan with affection and

understanding.
On Saturday came Doris Lessing,
who drew an audience of 600. Her subject was The Idea of Revolution, but the
series of vaguely relevant ideas she
pleasantly offered us was not organised in any direction, and all we really learned was that ebe no longer approved of Communism but Socialism was all right.

on the Tradition side, we had an interesting talk on Adopting the Chassics, by Olwen Wymark and James Pettifer, including adaptation for radio and television. They were followed by read-

ings from Osip Mandelshtam, in English by Karen McCrary and Donald Rayfield, and in Russlan by Alla Gelich. Martyn Goff, Administrator of the Booker Prize, spoke of prize writing in general and the Booker Prize in particu-lar. He had with him Penelope Fitzgerald, a former Booker winner, and Rose Tremain, a former judge and on this year's shortlist. An instructive hour. Among miscellaneous literary pur-

suits, science fiction was covered by David Wingrove. Such a phenomenon as his publisher's contract for a seven-volume first novel, Chung Kuo, is almost science-fictional in its unlikeliness. Dave Gelly played some discs of Hoagy Carmichael, Chuck Berry and others, to suggest that they threw light on the American scene. I liked the discs. Antony Hopkins spoke, and sang, at the piano, on Words and Music, showing how he composed some of his works. And Nicole Ward Jouve probed the psychiatry of murderer Sutcliffe. The Festival ended colourfully on

Sunday. At 11 am Jack Klaff (as one of the Lippizaners from the Vienna Riding School) gave his own selection from Kari Krans, the Viennese satirist, funny and provoking. In the evening, Dennis Potter read from the script of his next television piece. He not only hooked his audience as viewers next spring, but gave a masterly lesson in how to write for television.

Then an all-star cast, Michael Denison and Denise Gray, Angela Thorne and Christopher Timothy, devoted two hours to The Extended Circle, Jon houre to The Extended Circle, Jon Wynne-Tyson'e anthology of writing against cruelty to animals, including a performance of Henry Salt'e short "green" play, A Pinch of Salt. And after them, to wind up, three players from the RSC gave a happy demonstration of what it was like to be actors. I have recleated most of the 15 roots who read neglected most of the 16 poets who read from their own work. For them to have done so is surely an intrinsic reward.

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

great Solness since Redgrave, then Olivier, played it in London. Adrian Noble directs, Richard Hudson's tilting roofs chart the aspirations and final dramatic plunge. (638 8991) Oct 19, 25, 26, Nov 1; 2. A Flea in Her Ear (Old Vic). Fey-

Quay Brothers, the directing and design team on WNG's Love of Three Oranges. Jim Broadbent leads good cast as the discounfited insurance manager and his doppelganger, a drunken botel porter. An interesting, enjoyable, unfairly derided experiment (928 7816, cc 240 7200). The Tempest (Barbican), John Wood's other great performance this season with the RSC is his Prospero in Nicholas Hytner's production, a towering, intempe ate impresario whose magic is an instrument of both revenge and resolution. (638 8891) Oct

20:34, Oct 30, 31. Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert plantst son across and concert plants son across 35 years, suggesting that talent is a means of escape and a rea-son for not going back. Janet Suzman and Sara Kestelman are electrifying in support. (857 Veterans Day (Haymarket). Imperfect Douald Freed national-ist paranoia play about three

by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack fer style "spectacle of ideas" dressed up in John Dexter's or nomosexual life. The transves-tite tragedy proves less electrify-ing than in New York; the play is not very good but still worth seeing (379 5399).

nied by the musical and emo-Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical

in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Cunton as the demon barber of Fleet Street (239 5200). Lend Me e Tenor (Royale). A Lend Me e Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes e transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (238 5200), Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of e three hours of film trailer neviews will adore

film trailer previews will adore this compendium of Robbins' directed and choreographed directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-tal-each that incoined the heuter. ts that inspired the heyday

Simon's latest comedy is e self-conscious farce, with numerous slamming doors and lots of mugging but hollow bumour that misses as often as it hits. Chris-tine Baranski leads an ebullient cast in the inevitable but disap-

feline (239 6262). A Chorns Line (Shubert), The longest-running musical in the US has not only supported Joseph Papp's Public Theater for sight years but also updated the musical genre with its back-

emotions (239 6200).

M. Butterfly (Eugene O'Neill).
The surprise Tony winner for 1988 is a somewhat pretentions and obvious meditation on the true story of the French diplomat whose long-time mistress was e male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

A Faw Good Men (Eisenhower). One of the few new, contemporary dramas headed for Broadway gets its world permiers in Washington, in this story of a military cover-up. Ends Oct 29.

Chicago

The Misanthrope (Goodman).
The first production of the season exchanges Moliere's France for contemporary Hollywood in a new adaptation by Neil Bartlett, directed by Robert Falls with David Device playing. with David Darlow playing Alceste. Ends Nov 4 (443 3800). Driving Miss Daisy (Briar Street). The touching relation-ship between a dowager, played in this production by Dorothy Loudon, and her black changeur exposes the changes in the South over the past several decades

ers in a busy hairdressing estab-lishment (988 9000).

SALEROOM

French classics buoyant

Sotheby's began life as a book auctioneer and is keeping up the tradition with the dispersal of the library of one of the most prodigious American col-lectors of the century, H. Brad-ley Martin, who died last year. His ornithological books made \$13m. in New York in June and now his collection of French literature of the Romantic era is under the hammer in Mon-

aco.

The first day yielded £556,731. The three top lots were acquired by the Parisian dealer, Beres. He paid £38,787 for the antograph manuscript by Barbey d'Aurevilly of his story "Le rideau cramoisi" from his collection "Les Diaboliques" published in 1874 is liques" published in 1874. It had carried a top estimate of £1,500. A letter written by Bau-delaire in 1860 to his publisher, and including two poems, went to Beres for £35,935 (estimate £800), while a presentation edi-tion in five volumes of the works of Poe, which Bandelaire gave to a friend, made £33.653.

A signed first edition of Baudelaire's "Les Fleurs du Mal" sold for £28,520 while another French classic, a first edition of Balzac'e "Le Père Goriot," a presentation copy of 1835, realised £18,252. A similar dedication copy of "La Peaue de Chagrin" by Balzac made the same

There was considerable Italian interest in Phillips forniture sale, which totalled £404,855, with 9 per cent unsold. A Pontremoli needlepoint carpet, 5.95m x 4.26m, doubled its estimate at £33,000: an early Victorian mahogany architects folio table made by Gillow also doubled its forecast at £29,700; and an 18th century Italian marquetry rectangular chest in the manner of Maggiotini went back to Italy at a cost of £28,600.

Behind the 17th century panelling and the 18th century wall-paper of many old houses there we are beginning to discover the glories of church wall paintings. We are beginning to discover the glories of church wall paintings of the Middle Ages but at the Gallery of the University of Essex, until November 2 them is a femal time. ber 3, there is a fascinating display of domestic wall paintings

from houses in the county.

Essex is particularly rich in this field. Many come from the period around 1600, and what captures the eye is the way that artists made use of the books of the period to reproduce illustrations. The most arresting image is a mid 17th century portrait of a woman holding a candle and bedpan, painted on a staircase wall. In her Puritan costume she looks like a witch from Salem, but is probably the good woman of the house making sure her guests are happy.

Antony Thorncroft

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ARTS GUIDE

THEATRE .

London

The Master Builder (Barbican). Magnificent RSC revival of Insen's late poetic drama of lies, deceptions and misrouted sensuality. John Wood is the first

deau's farce in the John Mor-timer translation spiritedly done as German Expressionist night-mare by Richard Jones and the

veterans gathered to bump on the President partly redeemed Lemmon (330 9832).
M. Britterfly (Shaftesbury).
Anthony Hopkins as the tortured diplomatic hero in a Peter Shafdressed up in John Dexter's superb production as 8 metapher of homosexual life. The transves-

New York

Heidi Caronicles (Plymouth). Wendy Wasserstein's award-winwency wasserstein's award-win-ning drama covering 20 years in the life of e successful Ameri-can beby boomer goes from sup-port for Eugene McCarthy's pres-idential series took to all the sup-plantial series took to all the supential aspirations to electoral ambitions in the 1980s, accompational flavour of the period (239

of the musical. Rumous (Broadhurst). Neil

pointing hit.
Cats (Winter Garden). Still a
sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically

(348 4000). Steel Magnelias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern lifs from under the drystage story in which the songs are used as auditions rather than

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL Telephone: 01-873 3000 Telex; 922186 Fax: 01-407 5700

Wednesday October 18 1989

Blurred vision of Europe

WHEN MRS Thatcher spoke e year ago at the College of Europe in Bruges she did not mention the President of the European Commission by name, but her speech was generally seen as a riposte to Mr Dslors's intervention at the British Trade Union Congress. Similarly Mr Delors avoided mentioning the British Prime Minister's name when it was his turn to speak in Bruges yesterday. But it was inevita-ble that his speech would be read, at any rate in Britain, as a response to Mrs Thatcher.

And so it was, at least in part. Mr Delors was not ashamed to call himself a federalist, or at any rate to assert thet he had "often bad recourse to federalism as a method," while insisting that federalism includes the principle of "subsidiarity," meaning "the decentralised organisation of responsibilities, so as never to entrust to a larger unit what can be better achieved by a smaller one." He did not need to remind his audience that this principle is one to which the British Government is fervently attached in its dealings with the Community, though less so in its management of

Britain's internal affairs. European federalism, he said in substance, should be seen as strengthening and enriching, rather than threatening, the sovereignty and diversity of the different peoples of Europe. Each nation, he said, was bound "to ask itself how much room for manoeuvre it really enjoys in today's world," and the origin of the Community's failures lay "in the fiction deliberately maintained - of full sovereignty, and thus of the absolute efficacity of national policies."

Abstract tone

There is some truth in this, and certainly there are areas where governments can act more effectively to secure their peoples' interests by pooling their sovereignty than by jealously guarding it. Where Mr Delors perhaps errs is in hint-ing, by his repeated emphasis on the word puissance, that "full sovereignty" can some-how by recovered through the concentration of powers at European Community level, so that Europe itself can become. as it were, an old-fashioned but out exactly what it is.

larger nation-state. His emphasis on subsidiarity is entirely welcome but, like the rest of his speech, it was left at a maddeningly general and abstract level. The prob-lem that it raises is how one decides which issues can be satisfactorily dealt with by the member states, and which ones are the proper subjects of action et the Community level. This newspaper broadly agrees with Mr Delors that the latter category includes monetary and macro-economic policy (and notes with satisfaction that he did not, this time, insist on rigid fiscal harmonisation); it is more sceptical about much of the subject-matter included in the Commis-sion's draft for a "Charter of Social Rights".

Exciting challenge

The most intriguing passage in the speech came at the end, when Mr Delors spoke of the need for a "qualitative lean both in our conception of the Community and in our modes of external action" in order to "respond to the accelerations of history" – hy which he apparently meant mainly the changes in the Soviet Union and eastern Europe.

It is true that these change present the Community with a challenge which is both very exciting and fraught with risk, and that they are happening at a speed which the Communi-ty's cumbersome decision-making machinery is ill-equipped to cope with. Yet when Mr Delors said that the "triangle" of Council, Parliament and Commission was "insufficient" to respond to this challenge he said either too much or too

Of all the decisions the Community is called on to take, a radical reform of its own institutions, presumably embodied in yet another treaty (on top of the proposed one instituting an Economic and Monetary Union), would surely be the most difficult and time-consuming. It may indeed be nec-essary in the long term, but it seems unrealistic to propose it as a response to a problem which has been defined as one

of immediate urgency.
Mr Delors clearly has some thing more specific in mind. He should lose no time in spelling

Agenda for the Commonwealth

Commonwealth summit starting in Kuala Lumpur today promises to be a much more constructive exercise than its cantankerous prede-cessors in Vancouver and Nas-

main items on the agenda. But the latest developments in that country, notably the release of political prisoners, have taken some of the sting out of the sanctions debate. Mrs Margaret Thatcher, who et past Com-monwealth meetings has had to face the serried ranks of the other leaders, the great majority of whom favour comprehensive and mandatory sanctions, is likely to be somewhat less isolated at Kuala Lumpur -though her basic position

for bringing pressure to bear.

Conditional sanctions

that, in Knala Lumpur, the opposing camps might be able temporarily to set aside their basic differences by agreeing that tougher sanctions should be conditional on the progress made by Pretoria in dismantling apartheid.

Canada and Australia have already expressed strong reservations about radical proposals for trade sanctions, made in a report submitted to a committee of eight Foreign Ministers, set up two years ago without Britain's participation. It also seems probable that the committee will propose a breathing space of several months before calling on the international banking community to impose stricter conditions for next year's rescheduling of the South African debt. This move is intended to give the Pretoria government time to match its words with deeds - though Britain will not accept any deadline for future sanctions. The growing acceptance

or Rolf Paltzer, managing director of the UK operations of Gruner & Jahr (G&J), the large West German publishing house, the abiding memory of his early efforts to establish his company's operations in the UK is acute

"The problems of dealing with administration and setting up a busi-ness infrastructure were so great that there were times when I went home in the evening feeling that I had spent the whole day bashing my head against a brick wall," the Swiss-born Paltzer recalls.

Yet today, barely four years after G&J first prospected the British market, it has struck gold. Its Prima magazine, launched three years ago, is now the country's best-selling wom-en's monthly and is already in profit. Its stable-mate Best, launched a year later, ranks third or fourth among the

Their success, Paltzer contends, has also shaken up the British magazine publishing industry. "It was a very rigid, segmented market before we arrived. Nobody challenged anybody else's position. Now all that is chang-

G&J's story, though in some ways G&J's story, though in some ways exceptional, is far from unique. Its experiences of setting up in the UK are shared to varying degrees by Ikea, the Swedish home furnishings retailer, Plastic Omnium, a family-owned French plastic moulding manufacturer and Alsys, a small software group also from France.

The broad picture which emerges is of a hospitable market, open to new products and services and as accessible to the enterprising newcomer.

ble to the enterprising newcomer from abroad as to local competitors. As Birger Lund, general manager of Ikea UK puts it: "As a foreigner, I've always been treated just like anyone else. There aren't any hidden rules or clever things that only the British

But there is also a less flattering side to the picture. Many of the market opportunities were snatched from under the nose of UK companies which had failed to exploit them. Several of the European newcomers also complain of disorganised UK working complain of disorganised UK working methods, poorly trained workforces, staff shortages and complex red tape. How far these problems reveal genuine weaknesses in the UK system, and how far they simply reflect lack of familiarity with local customs and culture, is debatable. Inevitably, each company's perspective is coloured to some extent by its own particular cir-

'I went home feeling that I had spent the whole day bashing my head against a brick wall'

cumstances - though not always in ways one might expect.

G&J, part of the Bertelsmann media

group, and Ikea, are big multinational concerns which already had operations spanning continental Europe before they looked to the UK. Yet their cross-Channel expansion was part of no carefully prepared

Indeed, it appears to have been largely a result of off-the-cuff decisions to send someone over, sniff around and try his luck. This nonchalance stems from the two companies' highly decentralised management style; both leave the man on the spot to make his own way, providing back-up only when it is asked for.

Paltzer has e cartoon of Axel Ganz, G&J'e first emissary to the UK, arriv-ing in 1985 with a carpetbag bulging with money. Lund's first UK base in 1984 was not a smart suite in London's West End with a retinue of support staff, but a rented cubicle in an Guy de Jonquières reports on foreign companies' tales of doing business in the UK

Welcome to our muddled home

office hotel" in the city's outer sub-

difficulty initially convincing the natives that they represented large international organisations. British banks were coy about granting them credit, while their efforts to recruit local staff met with scepticism. "It takes a certain kind of person to come to e rather tatty office at an unfashionable address and listen to a Swede who doesn't speak very good English tell you he is going to build a hig store," says Lund.

By contrast, Alsys, though a mere David, adopted Goliath tactics from the start. Its UK subsidiary, formed as a result of personal connections between a group of British and between a group of British and French software engineers, made its debut at a trade fair in May 1985. It took a large stand which its local managers designed and built themselves, recalls Martyn Jordan, UK sales and marketing director. "Then we strutted around as if we were IBM. If you behave like a big company, people don't see beyond the veneer that you're really only a small one." However, Alsys had to overcome another hurdle — penetrating the clubbish and chauvinistic defence sector which is the main market for its products. It took a year to win Plessey as its first big client, after which GEC,

British Aerospace and Ferranti followed.

The key, says Jordan, was to present an all-British front. "Other people never raised the fact that we were French, but you could tell what they were thinking by the way they reacted. So we did everything to down-play our Frenchness. We located in Henley, a very English town, and we didn't parade our French executives." Only later, when British clients were wined and dined lavishly by the parent company in Paris did Alsys' French connection

prove a commercial asset.

For Plastic Omnium, UK expansion
was largely a matter of self-defence.
The company had had a sales office in Britain since 1972 and was doing a roaring trade selling wheeled rubbish bins there. But rising freight costs and rumours that its three main competitors — all German — were planning to start manufacturing in Britain persuaded it in 1986 that it had to do likewise to preserve its market.

After considering but rejecting both making acquisitions and building its own plant, Plastic Omnium settled on a former warehouse in Telford, Shropshire. The choice was the result of an accidental encounter at a Birmingham trade fair between Jean Burelle, and officials from Telford Develop-

ment Corporation.
At first, British plastics makers resisted Plastic Omnium's plans, insisting that the company had little special to offer. Burelle's response is that two and a half years after it began operating, the Telford plant employs 280 people and is heading for a £20m turnover this year. Much of this growth is due to a contract from Peugent to supply the Ryton car. Peugeot to supply tts Ryton car assembly plant with petrol tanks and

Burelle has nothing but praise for



the support he has received from Telford and from the Department of Trade and Industry, which gave Plas-tic Omnium financial assistance. "The DII people in particular were excel-lent — eager, competent and always very effective. I was most impressed with them."

The siting of Ikea's first superstore, which opened in the unlikely location of Warrington, Cheshire, in October 1987, was also the result of salesman ship by local authorities. Lund will not give exact figures but says sales there are well up to expectations, as are those of its store in Wembley, North London, which opened a year

Though UK spending on home furnishing is among the lowest in Europe, Lund argues that Ikea has succeeded by pioneering a market for local retailers such as Habitat. "People in this country are still trying to protect the high street," he says.

Lund initially spent 18 months looking for a London site off the M25 orbital motorway before concluding that he would never be granted planning permission for it. But getting British architects to adapt Ikea's basic store design and builders to construct it was suprisingly straightforward. By contrast, G&J encountered endle problems getting its London offices fitted out and equipped: Setting up a company pension scheme took a year, because UK pen-sion rules were in the midst of being changed at the time. Unable to obtain clear professional advice, Palizer and his colleagues decided to sort out a scheme for themselves. "We read so much about the subject that we said, if our next magazine fails, we'll become pension advisors." Recruitment was another headache.

Though G&J found it relatively easy to hire and keep editorial staff, its first British managing director abruptly quit in 1986 after only 18 days in the job. Headhunters proved unable to turn up suitable finance and administration executives. "All the candidates they sent me seemed to have just returned from the colonies," says Paltzer. In desperation, he turned to a temporary employment agestcy and found just the person.

equally discouraging. "We had a lot of to go after more UK customers, while difficulties and disappointments find—like a plans a third store in Birminging people," says Burelle. Telford—ham, Lund believes it may eventually went through two British plant managers in six months before a satis-factory candidate was headhunted from Rockwell International. Even today, Burelle complains, Plastic Omnium's British engineers are less dedicated to their jobs than its French ones and skilled staff are becoming increasingly hard to find.

Some of these failings may be

partly the companies' responsibility. Palizer concedes that his job defini-

tions were probably too imprecise, stressing G&J's international operations when purely local managers were needed. He also says that some who performed well as "hands-on" managers during the start-up phase found it hard to delegate decisions once the UK subsidiary became established.

gate decisions once the UK subsalarly became established.

Of the four companies, only lkea — which recruited largely through newspaper advertisements drafted by Lund — gave local managers extended training, sending them to work for six months at one of its overseas stores.

All these who idned the UK subsid-All those who joined the UK subsidiary at the start have remained with

it. However, the company says short-ages of sales personnel, particularly in London, are a growing problem. Several of the companies also had difficulties with banking arrange-ments and dealing with the British level and the spectage Some of these legal and tax systems. Some of these problems were due to differences between UK and continental practice, some to quirks of the British system and some to a mixture of both.

Banking: G&J initially entrusted its
effairs to Deutsche Bank, its "house

anare to Deutsche Bank, its induse bank" in Germany. But Paltzer says the bank's London branch, which was primarily engaged in investment banking, was unable to handle payroll. After it started paying UK employees' salaries twice, G&J moved its business to Barclays, which took

some while to realise quite what a big customer it had hooked.

Ikea's biggest problem was the refusal by some British banks to honour customers' cheques, even though they were supported by cheque cards. As a consequence, its UK stores are the only ones to take credit cards: all the others take payments by cash or

Eurocheque.
Legal affairs: "You have to sign so many documents in Britain, it is ridiculous," says Burelle. "In France, a building lease is a two-page document, in Britain it is 70 pages and even stipulates how many costs of paint you must use when you redeco-

The partnership status of G&Ps UK the partiers of states of casts of the subsidiary (chosen for tax reasons), has created many complications. Though Paltzer has powers of attorney, he has found that many business documents are not accepted in Britain unless signed by lawyers at the group's headquarters in Germany. Tax: Alsys has had to spend considerable sums compensating French engineers who are seconded to the UK because they are taxed much more heavily than at home. God faced an attempt to impose value added tax on the dress patterns in its magazines. The issue was amicably resolved after Palizer visited the customs and excise authorities. "My advice to anyone is to sort your affairs out with the taxman as early as possible," he says.

Different companies draw quite different lessons from these experiences.

Martyn Jordan says Alsys in the UK Martyn Jordan says Alsys in the UK has benefited enormously from the parent company's decision to fix it up with good bankers and legal and financial advisors right from the start. But Rolf Paltser argues: "Don't leave it to advisors. They don't know all the answers. You have to get out on the street and do it yourself."

In spite of their trials all four con-

In spite of their trials, all four companies have found doing business in Britain ultimately a rewarding experi-ence and see plenty of room for furopen as many as 10 in Britain.

open as many as in in striam.

It is perhaps appropriate that the last word should go to Paltzer, the most outspoken critic of Britain's shortcomings. "It does take time to get things done," he says. "But the business climate here is very agreeable. People talk about everything very frankly." very frankly."

This article is part of an occasional series on the experiences of foreign investors in EC countries

within the Commonwealth that there is at least the prospect of real movement in South Africa will help to make the debate on this subject less confronta

As on the last two occasions when the Heads of Government met, the situation in South Africa will be one of the

remains unchanged. The British Prims Minister continues to be flercely opposed to sanctions because she claims that they would not be instrumental in bringing about the desired political solution of South Africa's problems. By contrast, the other Commonwealth governments see them as an effective tool

Yet there is a fair chance

tional than in the past. Mrs Thatcher and her colleagues thus have a good opportunity to explore the common ground in their positions, and for once to send a message to Pretoria which will have the whole weight of the Commonwealth behind it. That message must still be couched in firm terms, making clear that the Commonwealth's goodwill can be obtained only in return for fundamental and irreversible

Neglected issues

The lowering of the tempera-ture eurrounding the Sonth African discussions will also enable the summit to pay more attention to other important but neglected subjects, such as the environment and the fight the environment and the fight against drug trafficking. Above all, it will offer the leaders of nearly 50 countries spanning the developed and developing world the opportunity to examine the role that they expect the Commonwealth to play in the next decade and beyond.

Even the most convinced supporters of that institution are forced to admit that its

are forced to admit that its functions are not always obvious. It has, it is true, served as a useful forum in the post-colonial period for the airing of southern African problems. In some cases, such as the Lancaster House conference leading to the independence of Zimbabwe, it has made a real contribution to the final settlement. However, as Britain forged new links with the European Community and other Commonwealth members became more closely involved in the problems of their own regions, an organisation which London once saw as the extension of its Empire in another form, progressively began to lose its raison d'etre. The historical and sentimental ties remain. But they will be insufficient to keep the Common wealth together in the twenty first century if they are not backed by a much greater

attention to the practical prob-

lems facing the developing countries - the majority of

members - than has been the

case in the past.

Road from Rochdale

■ There have been several ettempts to answer the ques-tion about Rochdale wine raised in Observer last week (October 11), Someone suggested that there was once a French village called Roched-ale, and that the middle "e" had been dropped before the village disappeared.

The real answer, however, which probably we should have known, is that the wine is indeed a tribute to Rochdale Lancashire. As a number of sources have pointed out. Rochdale is the home of the first successful co-operative.

That was in 1844. The word "successful" is important. There had been co-operatives before. Rochdale took off because it was one of the first to pay a dividend. The Rochdale Pioneers also issued a set of principles for

co-ops around the world.

They started in a small shop in Toad Lane. This is now the home of the Rochdale Pioneers' Museum, which is a sort of shrine for the co-op movement. Ray Garratt, the museum's director, says that the visitors come from far and wide. Last year there were some from Alaska. The Japanese, he adds, are particularly keen on co-ops. There is even one in the Imperial Palace – in the Emperor's servants' rooms." Japanese

tourists flock to Toad Lane. A few Rochdale labels on bottles now full of red ink are shown in the museum. But there is no certainty about when the French wine-producers picked up the name. It seems to be used to by a number of small co-operatives, some of them in the Strasbourg area, some of them around Rheims. There was once a Château Rochdale, fondly remembered by tourists, but this is thought to have disappeared. The "CN" on the label

Co-op Normandie. The sources think that the wine has always been a blend.

quoted by Observer stands for

OBSERVER

but do not know why. They explain the "melange" of differ-ent wines from the European Community mentioned on the label last week as showing that the co-ops are now good Euro-

Even loyal British co-op supporters sometimes go to France and fail to find the wine. Rochdale had disappeared from the shelves in Saintes last summer, for instance.

Still, the Pioneers are coming up to their 150th anniversary. As a celebration in 1994, there is talk of Rochdale being on sale in Rochdale, Lanca-

Irish decline Another nail in the coffin for lovers of old Dublin. The Phoenix Park racecourse, only

minutes away from the city

centre, is to close after two more seasons. Racing at "The Park" Ireland's answer to Royal Ascot - has been one of the features of Dublin life for nearly 90 years. Few things could better putting down the pencil in the office of a summer evening and gently driv-ing through Phoenix Park, the biggest city park in Europe, to look at a few horses and

win or lose a few punts.

Though "The Park" has been making a small profit recently, debts have been mounting. A series of mysterious fires which destroyed a stand and damaged offices were another blow. Its owners, prominent among them the Irish racehorse trainer Vincent O'Brien and the owner and breeder Robert Sangster, are lodging a planning application to put 600 houses and an international hotel on the racecourse

Change of tune ■ Mikls Theodorakis, composer



Pop behind the screen, Mr Clarke, and drop your propos-

of Zorba the Greek and a great deal else besides, has defected from the Communists to the conservative New Democracy in the Greek general election campaign. He has been placed high on the party'e electoral list and will almost certainly become a member of the new Parliament.

Theodorakis has been a communist most of his life, and a communist MP for much of this decade. He says that he is switching to the conservatives because he liked the consensus and cooperation that arose out of the coalition of New Democracy and the Communist Party in the last few months

More cryptically, he adds that he has become a target for left wing terrorists and has vowed to hunt them down.

He has changed his mind about Greece before, several times threatening to leave the country for good. He is in favour of a reconciliation with Turkey. His popular tunes were ban-

ned during the colonels' regime as being a symbol of the resistance. But he is not only a popular composer: his musical background is classical, and recently he has returned to it. Theodorakis also composed

the Palestinian national anthem. Now 64, he is working on an anthem for the 1996 centenary Olympic Games in the hope and expectation that they will take place in Athens.

Serious stuff

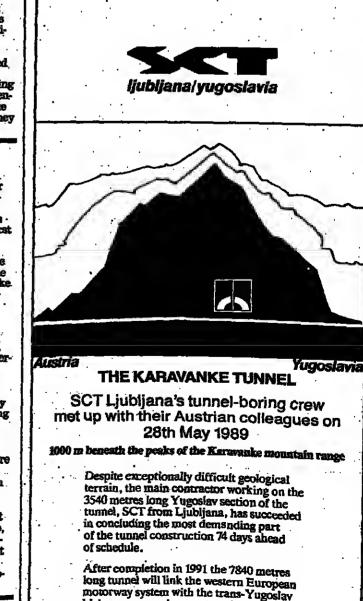
■ Nancy Reagan's astrologer is Joan Quigley of San Francisco. Starting shortly after the assassination attempt on the President in 1981, the First Lady paid Ms Quigley \$3,000 a month for her services, which included advice on the most favourable times for the President to travel and to take part in important state occasions.
This much we now know

from Mrs Reagan's memoirs interviews given by Quigley, whose most obvious character istics are blue-tinted spectacles, big staring eyes, and a very earnest voice. Quigley recounted on CBS on Monday how she influenced the timing of the signing of the INF nuclear weapons treaty in Washington in 1987. Super-power summits, she said, were

a very busy time for her. In her book, Nancy Reagan said her relationship with Quigley "began as a crutch, to alleviate my anxiety about Ronnie. Within a year or two, it had become a habit." Quigley said she was speaking out to protect her reputation as a serious professional astrolo-

Upside down

"It was a David and Goliath fight and we were never going to win," said Sister Catherine, the nun who lost her chickens, yesterday. She might check her sources. In the Bible, it was David who won-



highway now under construction,

continuing to Greece and Turkey and to the Near and Middle East.

SCT, Thora 38, 61 000 Ljubljana; th: 31 483 set yu; tel: (...38 61)319 494, (61)310 445; faximile: (61)319 389.

Tony Walker looks at attempts to reform Egypt's loss-making public industries

World Bank team is expected in Cairo this week to continue in its attempt to bring reform to Egypt's unwieldy public sector, which accounts for about 70 per cent of the country's industrial output.
The significance of the liberalisation campaign extends well beyond the confines of Egypt's falsering and debt-burdened assessments.

dened economy.

Western economists in Carro see the current attempts by both the Interna-tional Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) to push Egypt into genuine reforms of the public sector as an important test of impending joint programmes in eastern

Europe.

"This IMF Bank programme in Egypthas very clear relevance for Eastern Europe," said one such economist. "The problem with all these central-ly-planned economies is that they are like houses of cards: which card do you pull out without collapsing the whole thing overnight?"

The international lending institutions

are attempting to sweeten the distaste-ful medicine of deficit reduction, exchange and interest rate reform with the sugar of additional funds for structural adjustment. They face a similar task in Egypt as they do in countries like Poland, with centrally planned and Soviet inspired systems that are

strongly resistant to change.
Egypt's own perlous economy and
pressure from almost all sides has encouraged the beginning of a lively and, at times, acrimonious debate about the need for reform of the unwieldy

public sector.
President Hosni Mubarak, who has always presented himself as a guardian of state enterprise, recently spoke out in favour of liberalisation. Addressing a Congress of the ruling National Demo-cratic Party in July, Mr Mubarak singled out the state-owned Misr Dairy, which has not made a profit in seven years, as an example of the sort of enterprise that can no longer be sup-

In the weeks following his NDP Congress speech, Mr Mubarak and his Ministers appeared to back away from their commitment to reform; but advocates of economic liberalisation are drawing comfort from the fact that the issue is

at last being openly debated.

They believe that, whether it likes it or not, Egypt is being forced by circumstance into a process of industrial rationalisation; that huge pressures on slender financial resources will oblige the government to begin dismantling some of its loss-making public sector

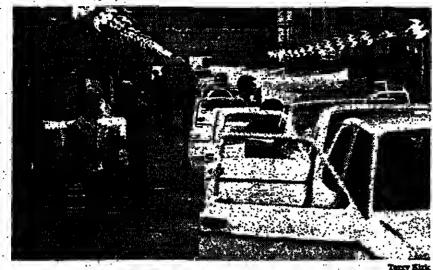
They point out that the hapless Misr Dairy is only the tip of a pyramid of chronic public sector failures. Unless they are rationalised, these will be a drain on the budget for an indefinite.

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Dr Khaled Sherif, an assistant profes-sor of Economics at the American University in Cairo and a leading advocate of reform, says that not only are many of these enterprises an "enormous bur-den" on the Government, their very existence under state control represents

Dismantling the dinosaurs



The loss-making Nasr car assembly plant; ripe for privatisation

drinks; and some of these companies are losing heavily.

Dr Sherif asks: "Does the government

a "conflict of interest between national and corporate goals."

Partly because of the nationalisation programme of the Nasser period of the 1950s and 1960s, the Egyptian state is responsible for a whole range of peripheral business activities. Public sector companies produce, for example, chocolate, chewing gum, wine, beer and soft drivites and some of these companies over the last five years to 1987/88 were equivalent to 20 per cent of the budget deficit, the studies show.

President Mubarak, who has presented himself as a guardian of state enterprise, has spoken out for liberalisation

need to manufacture chewing gum? What about beer and wine in an Islamic

He believes that a determined process of privatisation would be a "crucial move in terms of demonstrating to the international donor community, and to the IMF and World Bank, that Egypt was intent on liberalising its economy."

Recent studies by, among others, the
World Bank, foreign embassies, and Dr
Sherif himself reveal the dimensions of the problem. They perhaps explain why the government is being forced, reluctantly, to address the issue of huge pnblic sector losses and their impact on the

These studies show that with the exception of the Suez Canal Authority

One hundred and seventeen stateowned enterprises grouped under six major holding companies in food pro-cessing, textiles, electronics, engineer-ing, chemicals and metals, lost E£ 1.16bn (£283m) and the approxi-mately 276 other state firms such as the Railroads Authority and the ntilities and construction sector piled up losses

Of the 120 companies directly under the control of the Ministry of Industry, at least 19 are chronic loss makers. These include 12 public companies such as Misr Dairy under the Ministry of Industry's Food Processing Holding

"None of these firms is generating significant amounts of liquidity to be

able to finance their own operations and maintenance expenses or to add to their assets," a recent foreign embassy

study reported.

"All of these companies face a series of price controls which limit their returns... the 12 companies are supported by transfers from the government and would become insolvent if these transfers ceased..."

The net return on capital invested in state industry, according to the World Bank, amounts to not more than 2 per

The World Bank study also found that 35 per cent of capital stock in state-owned industrial enterprises is or grossly inaccurate demand forecasts.

Among various factors contributing to the parlous state of the public sector

are price controls (movements in prices bear little relation to increases in costs), chronic indebtedness, lack of new investment, foreign exchange shortages, poor management, and over-

shortages, poor management, and overemployment.

This was compounded by the policy
of stuffing state enterprises with surplus employees in the 1960s, under the
Nasserite guarantee of employment to
all university graduates.

Apart from talking about the problem, the government has at last begun
to attempt to define its dimensions. A
committee under Dr Kamal al Ganzouri,
a Deputy Prime Minister and Minister
of Planning, was due to report this of Planning, was due to report this month on how to reduce losses of gov-ernment-owned utilities and industries.

Dr Ganzouri, who is the government's leading central planner, is not expected, however, to advocate an adventurous programme of industrial rationalisation. Rather, he is likely to propose more flexible pricing and wage policies, capital restructuring of certain companies, and the leasing of public enterprises to the private sector, which is already happening on a limited scale. Egyptian businessmen believe the

government missed a golden opportu-nity to send a clear and positive signal to the private sector, which is extremely nervous about long-term investment, when it unveiled its new consolidated investment law in midyear. Mr Shafik Gabr, a prominent busi-nessman, said that the new law "did not take any new significant directions in improving the climate for investment that is hindered mostly by government

bureaucracy."
In the absence of a stronger push from the government, it is likely that privatisation efforts will focus for the time being on small-scale enteprises such as chicken farms and cement works in the governorates. The government has already begun a process of selling off some of these smaller regional enterprises.

Ahmed Foda, managing director of the newly established investment and Securities Group (ISG), said that "priva-tisation efforts cannot be taken on an ad hoc basis.

"There has to be a minister in charge of privatisation with a mandate to decide what to do, and unless he is backed by the President nothing will

Third World debt

The day of reckoning has come

By H W Singer

he decade of the 1970s, or more precisely the period from 1973 to 1980, has been described as one of "illusionary growth" for the Third World countries. This was the period when – after the breakdown of the gold/dol-lar standard of the Bretton Woods system in 1971, and the quadrupling of oil prices in 1973 – the growth of Third World countries was relatively well maintained but at the

expense of rapidly accumulating debt obligations.

The Illusion was that this system of recycling Opec surpluses and Eurodollars was a self-sustaining system which could go on indefinitely. In fact it was believed that it demonstrates it was believed that it demon-strated the health and viability of the international financial system. The involvement of the private commercial banks in the development process was welcomed by the governments of the Western countries as taking the load off official development assistance at a time when high off prices cre-ated difficulties in the way of expanding aid because of

domestic economic strains.
Similarly the Bretton Woods institutions (the World Bank and the International Mone-tary Fund) welcomed this as supplementing their own "meagre" resources. The President of the World Bank, Robert McNamara, in his 1978 Presidential Address acknowledged the growth of private lending ("it is neither surprising nor undestrable that private lending accelerated"). But he also used this as an argument for increasing resources for the Bank in order to create a bet-ter "balance" between public and private lending.

The IMF was also happy with the growth of commercial bank lending. The pronounce-ments of the managing director in those years emphasised the role of the IMF as a "catalyst" for private finance and a "sec-ond line of defence," going into action only where private fin-ancing seemed to fail. In fact, in the first years of

debt accumulation, say from 1973-75, there seemed little reason to worry. The rise in oil prices was matched by a boom in a number of primary commodities exported by develop-ing countries, holding debt accumulation in check and also increasing "creditworthi-

ness."
The trouble was that this air of satisfaction and confidence and turned into complacency. Thus again Mr McNamara in his 1977 Presidential Address: We are even more confident today than we were a year ago that the debt problem is indeed manageable, and need not stand in the way of desirable rates of growth for the develop-ing countries."

High commodity prices were confidently projected into the future and this became an ingrained feature of World Bank/IMF projections, even after the bubble burst with the second big rise in oil prices in 1979, the sharp recession of 1980-82, and the collapse in primary commodity prices.

The projections were systematically too optimistic right up to and beyond the acknowledgment of a "debt crisis" in 1982, when Mexico suspended payments. Similarly, until quite recently the world debt tables published by the World Bank consistently — and consistently wrongly — forecast that total debts were on the point of peaking and would decline in the next five years when in fact they have kept on rising right up to now.

As regularly as clockwork, it was the "low" projections on which many of the policies were based — all this in spite of elaborate models and sophisticated forecasting techniques. In the field of commodity prices, the over-optimistic forecasts were clearly associated with the distaste shared by the World Bank and IMF for economic doctrines urging developing countries to engage in self-sufficient industrialisation rather than rely on exports of primary products to finance their development. Optimism was also engendered by an ideological belief that private capital flows were good for development and that the involvement of developing countries in the international financial system was to be wel-

A related error was the anal-

ysis of the debt problem as essentially a liquidity problem rather than a solvency or transfer problem. Keynes had pointed out after the First World War, in connection with the German reparations prob-lems, that debt payments can disrupt the international financial system and impose on the debtor burdens beyond those of mobilising the budgetary resources required for payment of debts or reparations.

Once again the World Bank President, this time in 1978: "The World Bank has followed these developments closely and has concluded that the potential dangers lie not so much in the absolute amounts of debt itself, but rather in a generally burdensome maturity structure and in liquidity problems that will affect a limited number of borrowers."

Thus from an early stage the basis was laid for a policy of dealing with the debt problem by a series of reschedulings and reshuffling of maturities rather than effective measures transfer problems. This policy was abandoned only recently with the Brady Plan - the Baker Plan was a desperate last attempt to cling to the liquidity analysis of the debt

Now the day of reckoning has come. Reality has broken in and the Potenkin world of debt-led growth has collapsed. With the benefit of hindsight we can say that this realisation shoud have come much earlier. The Bretton Woods institutions today do not like to be reminded of the name of Keynes, even though he was their creator. But Keynes showed tremendous foresight - more so than the Bretton Woods institutions - when he advocated stabilisation of primary commodity prices, pressure on balance of payments surplus countries, a world cur-rency providing liquidity where needed, and firm sur-

The author is an emeritus professor of development economics at the University of Sussex

veillance and co-ordination of

international economic poli-

LETTERS

National curriculum for new coherence in teaching

From Angela Rumbold, MP. Sir, Following the acerbic riculum, as the published column by Michael Prowse on our public schools ("An obsolete tradition," October 13), I it may interest your readers was disturbed to read Professor. Prais's letter of October 16 about the Government's curriculum reforms. This gives a misleading impression of what is happening in our maintained schools. Professor Prais's reasoning is completely contradictory. On the one hand, he seems to dislike the national curriculum. On the other, he

wishes to adopt one! His argument is that to raise standards in our maintained schools we should focus more on "learning outcomes, mas-tery of agreed syllabuses and on allowing more pupils to be stretched. Yet the national curriculum is designed to do just that. By establishing a national framework of attain-ment targets, programmes of study and assessment arrange ments, it will give a new focus. and coherence to teaching in every school. Punils at all lev-els will be challenged to achieve their best.

It is nonsense to suggest that the traditional basics are out of fashion. On the contrary, literacy and numeracy are at the

It may interest your readers to know that the independent schools are already looking at the national curriculum very

From Dr Arthur Hearnden. Sir, Speculation that the independent schools will use the national curriculum assessments as a replacement for Common Entrance ("Independent schools may end Common Entrance, October 13) is with-out foundation. The new test-ing programme is, among other things, designed to give a pic-ture of the attainment of 14-ture of the attainment of 14year-olds throughout the coun-

very core of the national cur-

closely since they know that parents will be carefully weigh-ing the benefits offered by both independent and maintained schools, given the choices available in the latter today. Angela Rumbold

Department of Education and Science, Elizabeth House, York Road, SE1

try. The idea that we in the independent sector should presume to hijack this operation in order to use it for a different

age group and for a different purpose is absurd. There is no question of writing the obitu-ary of Common Entrance. Taking part in the national

testing at 14, however, is a quite different matter. It is up to the senior independent schools to make up their own minds whether or not to do so. Most of them already offer a curriculum which encompass all the elements of the national curriculum and more. It will be to their advantage to join in the assessment at 14, since it will provide a useful marking post to check that they are on the right path to the final stage of the programme, the GCSE. More importantly, no picture of attainment in the national system would be complete without evidence from the independent schools. Contrary to what Michael Prowse implies in his Lombard column ("An obsolete tradition," Octo-ber 13), there is one system of education of which the inde-pendent sector is a part. To say that "the dim son of an Earl" will not end up in a

comprehensive school is a cheap shot which obscures the real nature of the independent sector today. For every dim aristocrat there are thousands

of children of parents of modest means who make significant financial sacrifices. Independent schools themselves are increasingly taking steps to ensure wider access. The num-ber of pupils receiving help with fees from their schools has doubled to 63,000 (14 per cent of the total) in just seven years. With the Government's Assisted Places scheme and other sources of support, nearly one independent school pupil in four now receives some financial support. Truly, to use Mr Prowse's own phrase, children from rich and poor backgrounds do rub shoulders in the same class-

It is simply untrue to suggest that wealth without abil-ity secures admission to the highly selective schools from which large numbers of pupils go on to Oxbridge. If Mr Prowse is serious in what he says about meritocracy, and wants to see it at work, I will be happy to supply a long list of independent schools which he would be welcome to visit.

General Secretary, Independent Schools Information Service,

The Germanies All the news hounds have been crying wolf

From Professor Egon Maisner. Sir, John Lloyd ("The many roads from socialism," October From Mr Michael Pearce. Sir, I find your leader "The boy who cried wolf" (October 14) repeats the view that ideology is the reason for the exis-tence of the GDR. This view is wrong in substance and, from a liberal stance, politically dubious. The only reason for the existence of the two German states is the victory of the allied armies over Nazi Ger-

many.

Ideology as the reason of existence of the GDR has recently been recently stressed by Herr Reichhold, the director of the SED's (East German Socialist Unity Party) academy. This argument serves to mobilise the ruling class against liberal reforms. It is definitely rejected by the memhers of the New Forum and other reform groups. It also goes counter to what many of those striving for democracy do not want: to make one German state out of two.

Egon Matzner. Science Centre Berlin. Reichpietschufer 50, D-1000 West Berlin 30

17) intensely ironic. It accuses

the markets of crying wolf when, in fact, since the close of New York on Friday, the howl-ing has come from the news media. The newspapers and broadcasters were gleefully predicting doom. Yesterday, the day after the market cor-rected itself, media disappoint-

ment was almost palpable.

To accuse the markets of the sin committed by the FT does an committed by the FT does not absolve the paper and its fellow news media from the part they played in whipping up hysteria. If the events on Wall Street had not happened on a Friday, giving journalists time to let their imaginations run wild, the fall and its correction would have caused lit-

are the first to condemn the tabloids for their voyeuristic excesses. The orgy in which these same papers have been engaged since Friday is similar in its attempts to titillate and appeal to our less noble emotions. Michael Pearce, Church Farm House,

Getting a grip on British business culture

From Str Charles Villiers. Sir, Martin Wolf's feature ("Questions over the British miracle," October 14) seems to leave one issue wide open. It shows how, over the last 10 years, earnings in the UK rose by twice as much as in France, Germany and Japan and by much more than double the increase in the US. It shows that in recent years industrial investment in Britain has only been sufficient to cover the disinvestment in the early years

of the 1980s. It shows how the

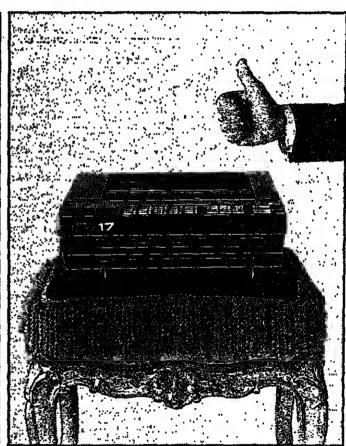
gross operating surplus of British manufacturing companies has substantially increased. It establishes that the bulk of the increased income "has accrued not to profits, but to those lucky enough to remain employed, whereupon it was promptly spent." What remains unexplained is

what caused this unfortunate distribution of wages and sala-ries. Was it the fault of management, the workforce, the unions or Government fiscal policy? If all were to blame to some degree, why? What cultural attitude or habit was at work? In the answer to these questions lies one of the causes of the British disease, which we thought was cured, but which has now returned. I have worked at and

thought about our business

culture for years and found it a minefield. Unless we can find a way through, the trouble will continue. All ideas welcome. Charles Villiers, Rincknest House.





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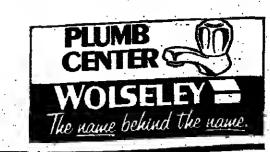
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FINANCIAL TIMES

Wednesday October 18 1989



Fears of Fortress Europe resurface in US

Peter Riddell reports on growing anxiety in Washington about EC integration

cant, and under-appre-ciated, changes in US foreign policy this year has been the Bush Administration's welcome for European integration and the 1992 process. But is the balance about to shift back to greater hostil-

in the past two weeks, several leading members of the administration have warned atrongly about protectionist moves in Europe. As always, Washington speaks with a number of voices, but the following rate quite highly on the decibel count.

Take first, Mr Robert Mosbacher, Commerce Secretary, and seldom noted for his subcan be a great thing, but I'm very disturbed about signs of protectionism or 'Fortress Europe' that are beginning to

appear.
"If they continue to hammer sway at local content, as they have done with these guidelines on TV (recommending a non-EC broadcasting content of less than 50 per cent) and semiconductors, we will have to take a whole new look at it and think sbout it differently. If they start doing this, we're going to see a reversal from an open market to Fortress Europe, and I think it'd be a bad mistake for them, and it'd be something we'll have to

By Quentin Peel in Moscow

THE EDITOR of the most

popular newspaper in the Soviet Union - the 26m-circu-

lation Argumenti i Fakti – has

been ordered to resign under threat of dismissal for printing a story hinting at the personal unpopularity of President Mik-

Mr Vladislav Starkov, who

has transformed his weekly

tabloid from being an exclusive newsletter for Communist

Party activists, has been given

Colleagues said he was summoned to the Kremlin to be carpeted by Mr Vadim Medvedev, the Politburo member

responsible for the press and

ideology, after a furious attack

on his newspaper by Mr Gorba-chev last week, they said.

However, journalists at the

newspaper said yesterday that he was refusing to resign

- and they promised to strike in support of him if he were

just two days to quit.

hail Gorbachev

Mrs Carla Hills, US Trade Representative, said yesterday that US and Japanese negotiators discussing macro-economic differences plan to pre-pare a "blueprint" for action by March, and move on new measures by next summer, as down-payment" on future

actions, Nancy Dunne reports.

She hoped the bilateral
Structural Impediments Initiative would produce a plan, then take "some step which

review onr attitude about." Second, Mrs Carla Hills, the US Trade Representative, who was unusually no less blunt in describing the broadcasting directive as "outrageous". The US, she said, "undoubtedly will have to take strong action".

So far, representatives of EC countries in Washington do not regard these warnings as indicating a more general shift

in US attitudes.

Instead, they believe the strong language reflects not only the departmental briefs of Mr Mosbacher and Mrs Hills, but also the attitude of the Congressional audience. Congressional audience to whom they were talking, and especially the passions aroused by the broadcasting directive.

There is a gap in understanding across the Atlantic on this issne - which Europeans do not regard as nearly as impor-tant as Americans do. Broad-

forced into resigning.
"It is true that he has been told to resign," Mr Alexander Meshchersky, the deputy editor of the newspaper, said last night."

might.
"We can say that he has no intention of doing so. There are

different options and they are being discussed now."

The storm represents the most serious confrontation yet between the Soviet leader and the ardent proponents of reform in the increasingly outspoken Soviet press

spoken Soviet press.

Leading radical deputies in the Supreme Soviet warned that he is in danger of alienat-

ing the country's intelligentsia,

hitherto his most loyal sup-

said to have been aimed at the

whole "line" of Argumenti i Fakti, although the newspaper

reformism than other publica-

Mr Gorbachev's criticism is

shows resolves. Japan, for example, might agree to increase its Fair Trade Com-mission budget, or base its public procurement contracts

"on price and quality".

Mrs Hills was less specific
on what action the US might take to prove its commitment to restructuring. It could also convince Japan and Korea to open their markets by convinc-ing them it was in their interest to do so.

casting is, of course, a much more sizeable industry in the US and has considerable political clont both in the White House and on Capitol Hill. Feelings are running high.

The optimists note that, this issue aside, there are some positive signs. Agreement was reached recently on US steel reached recently on US steel quotas for EC products, meet-ing some at least of both sides'

short-term goals.

Moreover, after lengthy talks in Brussels and other Community capitals last month, Mrs Hills returned saying she was "much reassured" on several points such as rules of origin and local content.
On broadcasting, the US

challenge to the EC directive is going through the General Agreement on Tariffs and Trade procedures without any unilateral US response.
But even in areas claimed as

tions such as Moscow News.

However, his particular anger was directed at an opin-

ion poll carried 10 days ago on the popularity of the elected

people's deputies - which showed Dr Andrei Sakharov, father figure of Soviet dissi-

dents, to be far the most popular, and falled to mention Mr Gorbachev at all.

Well-informed deputies maintain that Mr Gorbachev's apparent unpopularity among Argumenti i Fakti readers

meant that he was deliberately

excluded, a message clearly read in the Kremlin.

The extraordinary thing

about the confrontation is that

Argumenti i Fakti has always

been regarded as very well-con-nected in the Soviet establish-

ment, not least to the KGB.

Mr Mikhail Poltoranin, a
leading journalist in the Con-

gress of Deputies, said yester-day that "the basic problem we



Hills: Voiced Congress's fears of post-1992 protectionism

a great success for US-EC con-sultation, such as the redrafted banking directive, there

remain problems.

There has been a shift away from the original reciprocity provisions towards national treatment – that is, from requiring the US to allow EC banks to operate as they would within the Community to hav-ing all banks treated similarly

in each country.

However, Mr David Mulford,
Treasury Under-Secretary
responsible for international issues, recently argued that despite these assurances, the US still saw "dangers in the EC concept of reciprocity" in financial services. This is

are faced with is a growing gap

between intellectuals and those who initiated peres-

"When Mr Gorbachev came up with this idea of perestroika

he paid close attention to the intellectuals. Now we see that some intellectuals do not understand what is going on,"

However, he did not believe Mr Starkov would be forced to

quit, as he certainly would have been under Mr Leonid

Another leading journalist said that if the confrontation involved Mr Gorbachev alone, he believed the Soviet leader

would prove capable of "man-oeuvring" out of it.

But if the party apparatus became involved, "the appara-tus can provoke Gorbachev by

showing him material to make

he said.

ket will still be conditional on the treatment of EC firms in third-country markets. He maintained that "once

this club in the closet is on the books, there will be a temptation to use it, especially given the EC's desire to promote changes in the US financial

system".

If used, he added, "this would run the risk of provoking a retaliation action from US authorities".

This warning contrasts with the softer tone adopted by the

the softer tone adopted by the Federal Reserve. For instance, Mr Mannal Johnson, the Fed vice-chair-man, has said that at present, he does not anticipate any problems of access for US banks into the Community. But like other regulators, he has said the Fed is monitoring

the situation closely.

Overall, there has not been a fundamental reassessment of US attitudes towards 1992—more a reminder that behind the generally supportive state-ments from Washington lies a considerable wariness.

This can easily edge over into outright hostility on particular issues, given the differing attitudes within the Administration itself on 1992. There remains considerable potential for misunderstanding, though any arguments should be containable.

Thatcher's economic aide enters

EC debate

By Simon Holberton in London

SIR Alan Walters, personal adviser on economics to Brit-ish Prime Minister Margaret Thatcher, has entered the debate over the country's role in Europe and given guarded support to European Monetary Union and a common Euro-

pean currency.
Sir Alan says he is not opposed to the development of a European currency administered by a European central bank but says that this would have the beauty of the says that the says th need to be preceded by "absolutely fixed exchange rates and appropriate monetary institu-

tions to support that fixity." His views are contained in a biographical essay to be published by The American Economist, the US journal. The essay gives a rare glimpse of a man at the centre of economic policy-making in Britain, one who is often heard about but rarely

Sir Alan remains, however implacably opposed to Britain's full membership of the European Monetary System. Arguments for British membership "have never attained even a minimum level of plausibility"

minimum level of plausionly and the EMS remains "half-baked", he says.

Official British policy envisages eventual membership of the EMS but is hostile towards economic and monetary union or at least the version of EMU as delineated in the epony-mous report of Mr Jacques Delors, President of the European Commission, earlier this

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who tomorrow goes to the City of London for his annual Mansion House speech, has pro-posed an "alternative" route to EMU through the removal of ing business in any European Community currency. This concept, known as "competing currencies," is the subject of a recently completed British Treasury draft paper, which has yet to be circulated to EC

Sir Alan gives a warm and human account of his early life and academic career, present-ing himself as a man of humble origins and attributing much of his life's success "to one lucky break after another." Although in the article Sir

Alan displays an engaging self-deprecatory sense of humour, he leaves the reader in little doubt as to his importance in British economic poli-Thatcher years. "I acquired a considerable influence on economic policy," he says.

He takes credit for proposing

the content of Government's 1981 national budget and winning the Mrs Thatcher's support for a cut in the budget deficit equal to 2.5 per cent of gross domestic product - the biggest peacetime budgetary squeeze. This, he says, laid the foundation for the nation's economic success in the 1980s.
"I acquired a considerable

reputation at the Treasury and the Bank of England and I received their full co-operation over the next three years. We managed to produce a fairly stable monetary policy.

THE LEX COLUMN

Living on Wall Street's nerves

To a quite ludicrous extent, the London market has become Wall Street's poodle. The Wall Street's poodle. The sharpest drop yesterday came on publication of poor US trade figures at lunchtime, on the assumption that Wall Street would be upset when it opened. In the event, the chief problem lay in establishing where Wall Street actually was: after plunging early on, the Dow at one point appeared to recover 30 points almost instantaneously. At the back of all that was

UAL, which has achieved a symbolic status out of all proportion to its size. Citicorp said yesterday it could do the deal if it wanted to: Dai Ichi Kangyo said it might come in if the terms were less risky. Each announcement was scrutinised amouncement was scriumsed as if the fate of the whole US mergers and acquisitions movement hung in the bal-ance, with London twitching responsively in the background.
If this means anything, it

can only be that the markets in both New York and London gave up valuing equities on their own behalf some while back and settled for corporate sector valuations instead. If the corporate sector no longer has the financial backing to put its valuations into practice through takeover, the market no longer has a yardstick. But on the evidence of the past few days, it suspects that its own valuation of equities lies a good deal lower.

This is not wholly illogical at the tail end of a long cyclical upswing. But even before Friday's Wall Street collapse, London was in a quite abnormal state of nervous excitement. This week may prove less cliput its valuations into practice

This week may prove less climactic than two years ago; in its own way it is turning out quite as unusual.

UAL/BA

It may have been welcome news for British Airways shareholders that Mr Stephen Wolf's hid for UAL collapsed when pitched at \$300 per share, it was a price at the top end of what sane people would pay even for a member of the new US air transport oligopoly. But that consolation aside, yesterday's crossfire of conflicting surmise about the bid's ultimate fate has only deepened disquiet at the importance a bid for a single US airline has

Yesterday's 12 per cent drop in UAL's share price to \$197 says two things: that Wall Street believes that a new bid, if any, will come in a long way below \$300; and that it is also

Amstrad Share price relative to the FT-A All-Share Index

new sceptical that the banks will countenance any bid at all. But the prevailing mood is painful bewilderment about just what is going on.

One problem is the attitude of the wild card, UAL's other eutior Mr Marvin Davis. By marking UAL down so heavily, wall Street is implying that he is no more serious as a bidder for UAL than Mr Donald Trump was for American Airlines; but his intentions are far from clear. The other problem from clear. The other problem is the perplexity over just what UAL is worth anyway. UAL's investment banker, First Boston, has put its maximum liquidation value at \$303 per share, but its analysis shows a bewildering range of possible prices from \$225 npwards.

Much of the uncertainty also results from vague and contra-dictory statements emanating from Citicorp. One sympath-ises with UAL's machinists' union description of their man-agers as greedy and irresponsi-ble. Perhaps the epithets apply to some of the bankers too.

Amstrad

Alan Sugar does not like the rating that the market accords to his company; chairman often don't. But one wonders how investors are supposed to view a company whose profit-shalved last year and are likely to halve again this time; whose inventories are valued at more than half of sales; whose cash positive position has turned into £100m of borrowings; and whose key market, the UK, is hit by slumping consumer demand. Mr Sugar's reaction - to say that he does not intend to chase profits - is not the ideal way of adding points to tha p/e ratio. If Amstrad is going to shift

the 2325m of stock it held at the year end, margins are going to suffer. The company's customers will be able to deduce the weakness of Amstrad's position and drive some hard bargains. After all, the new PC 2000s, which represent nearly half the inventory levels, will have to be sold into a highly competitive business user market. And until the boxes are shifted, Mr Sugar will not have the cash to implement his threat to buy in part of the company's country, so his of the company's equity, so his plans will bring limited sup-port to the share price.

Such reasoning may seem pretty short-termist to Amstrad, which undoubtedly has an impressive profits record. Long term, the management has been strengthened and Mr Sugar may yet prove he has not lost his old marketing knack by producing a win-ner in fax machines or even satellite dishes. But a prospective p/e of 10, assuming profits of £35m to £40m; hardly seems mean considering the risks.

Maxwell The Maxwell Communica-

tions plan to raise \$200m by floating off 45 per cent of Ber-litz is open to two interpreta-tions: as a means of relieving pressure from higher interest rates, or as a reminder of the underlying value of the group's US assets. It may be time to give Mr Maxwell the benefit of the doubt. It should be recalled that before the bid rumours extrated Macmillen was 32 37 started, Macmillan was on 17 times earnings, or about twice MCC's rating now. Berlitz's record - compound profits growth of 28 per cent since growth of 28 per cent since 1984—is not untypical of the quality of MCC's new assets.

The process of partial unbundling is evidently not yet complete. Berlitz's flotation, if it goes to plan, should value the whole business at between \$400m and \$500m. The flotation of the educational publishing of the educational publishing joint venture with McGraw Hill, due next year, will be worth much more again. The flotation of OAG is further hinted at MCC's shares have recovered fairly strongly in the past three months; if there are no more unexpected forays of the kind Mr Maxwell has made his own, there seems no reason why the rating should not rise to a level more appropriate to a US publisher. This is particu-larly true if Mr Maxwell is to give way gradually to his son Kevin, whose qualities may be more congenial to the professional fund manager than the mercurial genius of the

Commonwealth agrees to delay sanctions

Editor ordered to resign after Gorbachev slur

By Robert Mauthner and Roger Matthews in Kuala Lumpur

COMMONWEALTH leaders were agreed on the eve of their biennial summit here that they would not press for new sanctions against South Africa for the moment

But all the Commonwealth heads of government, with the exception of Mrs Margaret Thatcher, the British Prime Minister, believe that pressure on South Africa to dismantle apartheid must be kept up by maintaining the threat of sanctions in reserve. A committee of eight foreign

ministers, set up without the participation of Britain two years ago to make a study of sanctions, is expected to table a proposal which would give Pretoria a "breathing space" of

several months before any fur-

ther measures against it were The proposal, which was backed by the Rev Allan Boe-sak, the South African Methodist Church leader, would allow Mr F.W. De Klerk, the South African President, some time to prove that he was serious about the reforms which he

has foreshadowed. However, Mrs Thatcher has already let it be known that she would not accept any dead-lines for the implementation of

sanctions, which she continues

to oppose on principle.

Mrs Thatcher, who will introduce the first conference session on tha international situation today, feels strongly that events in South Africa, Namibia and Angola are moving in the right direction and that the outside world should encourage Mr de Klerk in his efforts to reform South Africa's white dominated society.

Despite these differences, most leaders do not want to see a repetition of the acrimonious debates on sanctions which characterised the last two Commonwealth summits

in Vancouver and Nassau An issua likely to take up much more time than originally expected is the election of a successor to the outgoing Commonwealth Sec-Commonwealth

retary-General, Sir Shridath (Sonny) Ramphal.
On the eve of the conference it was still not clear which of the two candidates who are running for the office. Chief Emeka Anyaoku of Nigeria, the present Deputy Sec-retary-General, and Mr Malcolm Fraser, a former Austra-lian Prime Minister, would win majority support. Editorial comment, Page 18

Questions begin in German stockmarket

"It was a very untransparent market," said a dealer at one of Frankfurt's hig commercial banks. "There was no

price for Volkswagen, for instance, for a long time." Another factor that contrib-uted to Monday's slump was the short trading day. Normally the market closes at 1.30pm; on Monday trading was extended to 2.45pm, but even this did not allow the private investors who were active in the market to take account of the rally on Wall Street later in the day. Only big investors were able to bid up German shares in after-hours dealing as the better news from New York came in. Dealers also criticised the

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large banks for not ensuring that their investment advisers in the branches had a clear message to give to panicking private shareholders. The major German banks

should have talked to their sales people and told them of the strategy for the day, so that they could discuss the situation with clients wanting to sell," said Mr Hans-Peter Wod-nick, head of German research at UK stockbroker James Capel in Frankfurt. "There were statements by leading bankers, but they came too

Because markets are domi nated by the big banks there is also an absence of the sort of independent advice, perhaps against the prevailing trend,

WORLD WEATHER

offered by stockbrokers in other countries. For the second time in two

years, the private investors have moved the wrong way in dramatic fashion. Back in October 1987 they bought right after the crash only to see share values slide dramatlcally several months later. Gradually, prices picked up, so that the DAX was 24 per cent higher in early September than at the end of last year,

This time, it appears they sold too early, though it will take time to see if this judgment is borne out by market developments. In the big banks' defence, it must be said that they encouraged investors to hang on two years ago and so may have felt it prudent to

refrain from overly strong advice this time round. In the end, it was psycho-logy that triumphed over the fundamentals on Monday. Those institutions that had stayed on the sidelines took the chance yesterday to buy at rates much reduced from last

But the German market has been shown to be vulnerable. Yesterday's recovery followed an after-hours improvement on Monday when Wall Street picked up, but many smaller investors will feel badly hurned. "Volatility hurts the market. We shall need more days to explain why this hap-pened," said Mr von Rosen. "It doesn't help to increase trust in the stock market system."

US deficit rises sharply

Continued from Page 1

Events in the motor industry may be responsible for much of the break in the import trend. All the main Japanese car makers are engaged in rapid expansion of their US assembly operations, leading to a surge in imports of capital equip-ment and vehicle parts, while both Toyota and Nissan have just launched new luxury cars. They have been stocking their dealerships with high-priced new models on top of their normal import flows, slowing the

falling trend in imports of com-

The export trend was depressed by a combined fall of \$400m in two erratic categories, aircraft and gold bullion, more than offsetting a 1.2 per cent increase in all other export categories during the

Export demand remains one of the main sources of support for US industrial output, which fell by 0.1 per cent to Septem-ber, according to the Federal Reserve Board.

Statement

VOLATILE STOCKMARKETS IN PERSPECTIVE

From Fidelity.

Stockmarket volatility is a fact of life for investors today. The size of institutional cashflows, computerised trading, increased use of derivative instruments and the globalisation of equity markets are just some of the reasons behind the intensified volatility.

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SECTION III

FINANCIAL TIMES

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Looking ahead, the survey found the proportion expecting profitability to improve - 31 per cent - was exactly matched by the proportion expecting it to worsen. A year ago, 46 per cent were looking for an improvement and only 14 per cent expected a down-

There are other ominous signs. West Midlands industry is characterised by countless jobbing component manufacturers who have prospered by doing work for larger companies stretched beyond capacity. With demand now slackening, and the pressure on capacity easing, these larger companies are beginning to take the work back in-house. Birmingham Mint and Wagon Industrial are two component manufacturers who have already had to inflict redundancies as a result.

Warning noises are also com-ing from the financial commu-nity, where there is talk of stock market flotations being abandoned and investment plans delayed. The senior partner of one big accountancy firm tells how his colleagues in the insolvency department have been licking their lips recently. He may be joking, but behind the smile lies genuine

It would be foolhardy to suppose that the West Midlands is ahont to be plunged into another recession on the scale of the early 1980s, but the local economy still looks highly vul-nerable to downswings in industrial demand. All eyes, therefore, are on the national economy: a hard landing could provide a rude interruption to progress along the road to



West Midlands

by a first-class luxury multi-plex."
Yet the cinema, however

The West Midlands economy is looking

in better health than at any time in the

past decade. The

region's physical fabric is changing as it shrugs off the after-effects of

recession and begins to take on a

new shape. As Richard Tomkins

reports, it is not before time

A new show

BATMAN was playing at a cinema in Walsall, West Midlands, the other day. Nothing unusual about that: except that, on the same day, that same cinema was showing The Iron Triangle, Lethal Wespon 2, Indiana Jones and the Last Crusade, Dead Poets Take the site. Derelict for so long that few can remember what it was ever used for, it Society, Three Fugitives, Dirty

well under way

Rotten Scoundrels, The Karate Kid. III, Lenny Live and Unleashed, The Fly II, Erik the Viking, and See No Evil, Hear No Evil. has been brought back into use not for the manufacturing industry it once served, but for a buoyant service sector—a buoyant service sector—a pattern being repeated throughout the region's old-established industrial areas.

In Dudley, for example, on the 200-acre site of the Round Oak steelworks which closed with the loss of 1200 iche in No, not a local film festival: National Amusements, the US entertainment group, last month opened a 12-screen

Showcase cinema — only its fourth in Britain — on a promiwith the loss of 1,300 jobs in 1982 the Richardson twins – a pair of canny Black Country nent site in the town, next to junction 10 on the M6. Mr. Ira Korff, National Amisements' chief executive, says the decision to put the cinema there had little to do developers - are embarking on the final phase of the Merry Hill complex, a shopping and leisure complex so large that it with the West Midlands' revivhas its own monorail system.

Earlier this year, Triplex Lloyd, the foundries and engi-neering group, signed up Ikea, the Swedish furniture retailer, ing prosperity, its workers' increased leisure time, or any growing thirst in the region for arts and entertainment. "That particular site was attractive to me because it was as the flagship store for a mixed redevelopment of the on the M6 and right by a junction," he says. "It was also in 69-acre site near junction 9 of the M6 where Europe's biggest an area that was manageable steel foundry, F.H. Lloyd's, in terms of the prices for land, and there was a large popula-

once stood. and there was a large popula. Nearby, Speyhawk and Alton tion that was not being served. Group have won planning per-

inadvertently, serves as a high-ly-visible symbol of much that is happening in the West Mid-

a shopping and leisure develop-ment claimed to be Britain's higgest yet, on the 120-acre site of yet another long-lost steelworks, Patent Shaft. In Birmingham city centre, meanwhile, the horizon bristles with the cranes of building contractors working on £1.5bn worth of construction projects tied to the service sector partly botels being built to serve the city's International Convention Centre, opening

> offices to house the region's booming financial services Day by day, the physical fab-ric of the West Midlands is changing as the region shrugs off the after-effects of recession and begins to take on a new shape. It is not before time: for the West Midlands has lived with decline so long that it is sometimes hard to remember what pre-dated it.

the year after next, and partly

mission to build Sandwell 2000,

The seeds of that decline were sown when complacency took root in the region's factories during the post-war boom of the 1950s and 1960s. Trade

restrictive practices, while managements failed to invest in the plant and equipment necessary to counter increas-ing competitive pressures from

By the 1970s, West Midlands industry was already in bad health, and it was in no state to resist the onset of recession in 1979. In the two years of 1979 and 1980 alone, some 250,000 jobs were lost as factory after factory closed down. Perhaps even more damag-ing than this initial shock was

the lingering depression that followed. A legacy of extensive industrial dereliction and high unemployment stigmatised the West Midlands as a region of chronic industrial decline, so discouraging the very invest-ment necessary to lift it out of its misery. Public sector initiatives -

notably, the grant of assisted area status to the region's older industrial areas in 1984 and the creation of the Black Country Development Corpora-tion in 1987 - helped break the unions demanded, and circle. But more significant

nomic growth in 1987 and 1988, which brought a surge in profits for the companies that had survived the recession.

Rising productivity has meant that only a small pro-portion of the manufacturing jobs lost in the recession have been won back. But growing regional prosperity has brought a surge of investment in the services sector – nowhere more obviously than in Birmingham city centre and in those high-profile developments taking place in the Rlack Country. Service sector employment grew by an esti-mated 238,000 jobs between

1983 and 1987. But manufacturing industry too, is investing. One potent symbol of its regeneration is to be found in Darlaston, near Walsall, where US-born Mr Tim Kelleher, with his com-pany Verson International, is converting a vast factory once owned by Wellman Cranes into a plant for making power

Today, the West Midlands economy is looking in better health than at any time in the

vey of local industry, the Birmingham office of accountants Coopers & Lybrand found that more than 60 per cent of companies had increased invest-ment and turnover in real terms by more than 15 per cent

Soms of the giants of indus-try may have disappeared from the West Midlands map, but others - Rover, GKN, Lucas, IMI – are enjoying renewed prosperity. Meanwhile, business formation has increased, with a net addition of 17,000 new companies (mainly in the service sector) between 1980 and 1987 - the third highest of

any UK region.

The rise of the small business, combined with an improving balance between the manufacturing and service sectors, has also given the econ-omy a more diversified base than the one that left it so vul-nerable to the last recession.

Yet the battle is far from won. Severe unemployment problems still rack the inner city areas of the industrial conurbation. The Association of

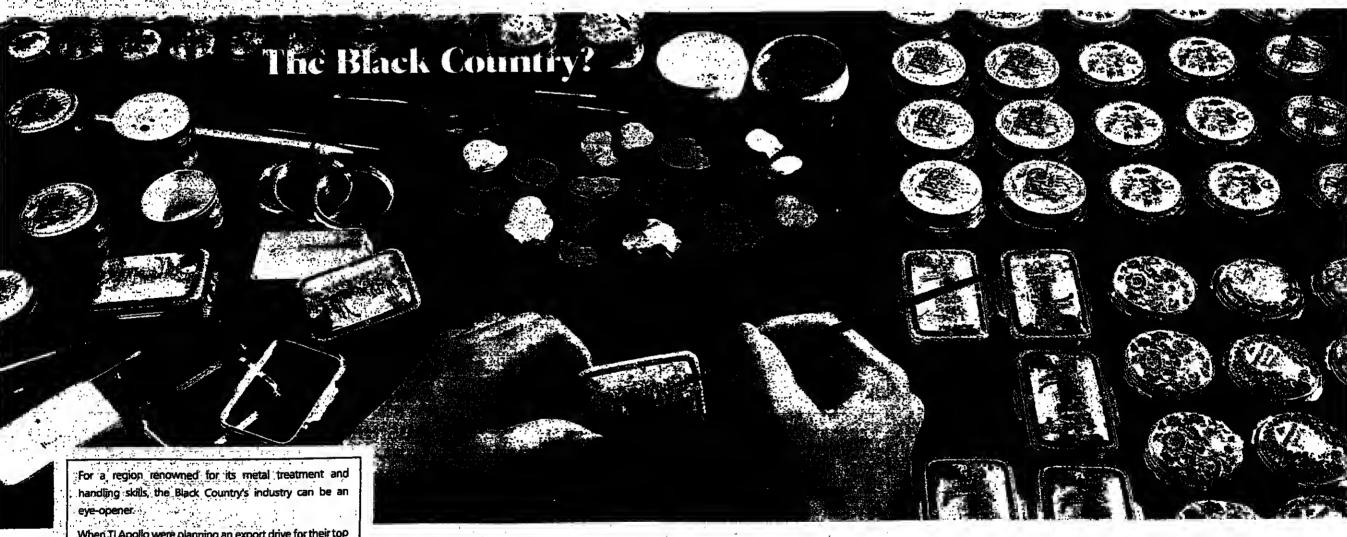
lier this month that more pre-1919 houses lacked basic amenities or were in urgent need of repair in the West Midlands than anywhere else in Britain. Large swathes of industrial dereliction persist alongside a desperate shortage of quality levelopment land.

Meanwhile, high interest rates are beginning to test the resilience of the region's indus-trial recovery. Companies such as Lucas and IMI may have prospered through diversification, but that diversification has been brought about through acquisitions outside the region and overseas. The West Midlands itself remains beavily exposed to traditional manufacturing industry - in particular, the automotive

industry.

Many West Midland companies have so far been insulated from the widespread downturn in consumer demand by the gravity-defying sales of motor cars. But even before the latest rise in interest rates, there had been signs that the squeeze

was beginning to hurt.
A survey of business confidence just published by the District Councils reported ear-



When TI Apollo were planning an export drive for their top quality golf shafts for export, it was the highly skilled local workforce that helped to swing it.

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ment. There will be a slight

decline in employment to 1990, then stability until 1995, then

slow growth to the turn of the

Within these totals, Cambridge Econometrics says,

manufacturing will continue to

shed jobs in the pursuit of increased productivity. Mean-

while, the rapid growth of

employment in the service sec-

tor will slow down, but with

the help of job increases in the

construction industry, it will

provide enough new employ-ment to outweigh the manufac-

turing losses. Weighing up all the key indi-

cators of the region's economy, Cambridge Econometrics

detects a convergence with the national average. It concludes that the West Midlands is tak-

ing on the characteristics of

southern, rather northern,

But there is one more caveat that has to be made before reaching this optimistic con-

Richard Tomkins on the need to bridge the increasing economic gap in the region

north-south divide in its own backyard

firmly to the north of it. During the worst of the recession, between 1979 and 1982, the West Midlands suffered by far the sharpest fall in gross domestic product of all UK regions. As manufacturing output fell by a quarter, some 299,000 jobs disappeared from the local economy, a pace of job losses only narrowly surpassed in the north and north-west.

IF THERE is a north-south divide in Britain - a line separating the prosperous south

from the deprived north - the recession of the early 1980s placed the West Midlands

> prosperous south. But this verdict is laden with caveats. On the plus side, the region's traditional manufacturing industries, particularly the

automotive industry, have enjoyed something of a boom amid strong domestic demand.

This economic buoyancy has

fed through into the service sector, so going some way to rectify the region's severe

under-representation in service

The latest figures show that

services now provide some 59 per cent of jobs in the region, compared with 48 per cent

before the recession and 69 per

the region's strategic location at the heart of Britain's motorway network has encouraged inward investment from over-

seas and the adjacent south

Both trends are expected to continue: the West Midlands Industrial Development Associ-

ation says the region's share of

inward investment projects

from overseas has grown to 22 per cent, more than any other

Meanwhile, a combination of the West Midlands' increased wage cost competitiveness and

cent nationally.

and accountants Coopers &

The region's current prosperity has little to do with any changes in the structure of the regional economy. It has much more to do with the favourable effects of national economic conditions

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Recovery, however, shifted the West Midlands southwards again. Between 1983 and 1988, as the decline in manufacturing industry was reversed and the service sector grew, some 248,000 jobs were won back. The pace of employment growth was the third fastest of all UK regions, unemployment fell the second fastest, and per capita gross domestic product grew just above the national

The net effect of these violent swings in the region's for-tunes has been to leave the West Midlands, metaphorically as well as geographically, back where it started: roughly straddling the divide. But on which side will it find itself

The consensus from most who have studied the region's economy - including Cambridge Econometrics, the West Midlands Enterprise Board,

employment in particular con-tinues to move northwards up Lybrand - is that the West Midlands is heading for the the motorways.
Yet the West Midlands' cur-

rent prosperity has little to do with any intrinsic changes in the structure of the regional economy. It has much more to do with the favourable effects of national economic conditions on a region still heavily dominated by its traditional metal goods, automotive and

region's, while service sector

engineering industries.
The West Midlands Enter-prise Board is therefore not alone in casting doubts on the durability of the recovery, pointing out that of the 28 per cent estimated real increase in West Midlands GDP between 1981 and 1988, almost half took place in the last two years of exceptionally strong national

economic growth.

Disturbingly, too, the growth
in West Midlands service sector employment is in some
respects illusory. Much of it simply represents the recent

Direct employment in manufacturing, June 1988 West Midland East Midlands North West East Anglia ing top to 40% of service

trend among manufacturers to contract out catering, cleaning, distribution and financial services, so that people doing those jobs are now counted as working for service sector employers rather than for manufacturers. The jobs them-selves remain the same.

The result is that a region already disproportionately

dependent on manufacturing industry is made the more so by the fact that an estimated 30 per cent of the jobs in its newly-expanded service sector are in producer service industries. Consequently, the West Midlands looks peculiarly vul-nerable to the slow-down now being experienced in UK eco-nomic growth.

The answer from the West Midlands is: "We don't see any signs of it yet." And it would be wrong to paint too ble picture: the economists are talking more about a slowdown in the pace of growth than an actual downturn.

According to Cambridge Econometrics, the outlook for the West Midlands to 2000 is

clusion. It is that the key feature of the regional economy in ture of the regional economy in the period to 2000 is likely to be a further divergence between the sub-regions of the West Midlands. During the recession, it was the West Midlands metropoli-

tan conurbation that suffered most from the contraction in manufacturing, while the shire counties of the region were rel-

atively unscathed. In the aftermath, amid the continuing haemorrhage of jobs from manufacturing, male unemployment rates of 30 per cent are still not unusual in the inner city areas of the West Midlands. Meanwhile, many of the new jobs in high technology industries and the service sector go to the fringes of the metropolitan county and the

The result is that Warwickshire, for example, with its business parks, expensive housing and virtually full employment, has as little in common with the Black Country nowadays as Buckingham-shire does with the north. Increasingly, then, the West Midlands is finding that it has a north-courth divide of its own: and one of the biggest chal-

lenges lying ahead is to bridge

MOTOR INDUSTRY

Period of turbulence engineered by a wave of inward investment

THE world motor industry is undergoing one of the most turbulent periods in its history: and the West Midlands, home to the bulk of the UK industry,

is feeling the waves.

If any proof of that were needed, it came four weeks ago when Ford declared its intention to take a stake in Jaguar. In doing so, it was sizing up a company that is not only Britain's last wholly indepen-dent car maker of any size, but also one of the West Midlands' biggest employers.

The realignments taking place in the world motor industry are of immense significance to the West Midlands because the future of the local economy, more than anywhere else in Britain, hangs so decisively upon the outcome.

Some 46,000 people are directly employed by the big West Midland car manufactur ers. Rover has 17,000 employees at Longbridge and Drews Lane; Jaguar has 12,000 at Browns Lane, Radford and Castle Bromwich; Land Rover has 9,000 at Solihull; and Peugot has 8,000 at Ryton. But that is just the tip of the employment

For every one person directly employed by a West Midland car manufacturer, there are probably three employed by the region's countless motor component suppliers: some of them working in small factories with a couple of dozen employees, and others for giants such as GKN

and Lucas. The background to the pres ent turbulence in the world motor industry is its transition from an essentially national industry with a plethora of local manufacturers into a global industry dominated by a small number of multination-

At one stage, during the depths of recession at the beginning of the 1960s, it was questionable whether Britain's car industry had a long-term future in the face of increasing competition from its more pow-

erful overseas rivals. But recently the outlook has been transformed. First, by the revival in domestic manufac-ture prompted by four years of record UK car sales, and second, by the Japanese manufacturers' decision to use Britain as the launch-pad for their assault on the European car

Helped by rising productiv-ity, relatively low wage rates and improvements in quality, favoured location for car manufacturing

Domestic output, which sank below 1m units a year in the recession, is now widely pre-dicted to rise from last year's 1.23m vehicles to 2m a year by the mid-1990s.

Against this background, the West Midlands industry has seen a remarkable turnabout. Increasing demand has prompted Rover to take on about 1,000 more employees at Longbridge over the past year. Peugot's Ryton plant is burst-ing at the seams, and an announcement is expected soon on expansion plans. Jaguar, true, is in the dol-

Jaguar, true, is in the dol-drums because of poor US sales, but Ford is not the only company whose interest has been aroused by its inherent strengths. Land Rover, mean-while, has just redoubled its' efforts to fight Japanese com-petition with the Discourage to petition with the Discovery, its first new model launch since

the Range Rover in 1970. But the West Midlands can-not view the outlook with unalloyed delight. The larger por-tion of future increases in UK

dismay in the West Midlands. Many see it more as an oppor-tunity than a threat because all three Japanese manufacturers have committed themselves to local content levels of at least 80 per cent at their UK

Yet it is already becoming clear that West Midland com-ponent manufacturers will not have the Japanese market to themselves. Just as the multi-mational car manufacturers have identified Britain as an attractive location for their plants, so, too, are the multinational component suppliers following suit.

Robert Bosch of West Germany, for example - one of Europe's biggest component suppliers - earlier this year decided to invest £100m in setting up a UK manufacturing plant in South Wales. Shortly afterwards, Calsonic, the Japa-nese components group which is an associate of Nissan, took over Llanelli Radiators in South Wales, saying the acquifor its expansion in Europe.

Other examples are legion. Several Japanese manufacturers have formed joint ventures with UK component manufac-turers to supply Niesan's Sun-derland plant. Valeo, the French components group, has taken over Delanair, one of Lianelli's main competitors. Monroe Auto Equipment of the US has taken over Armstrong Equipment's shock absorber division. Nippon-Seiki of Japan has set up a greenfield plant in Redditch making dashboard instruments.

Over in Derbyshire, mean-while, Councillor David Book-binder, leader of Derbyshire County Council, believes another 20 Japanese companies are poised to follow Toyota to

are poised to follow Toyota to the county — many of them Toyota affiliates planning to set up on vacant land adjacent to the car plant site.

Two implications follow. One is that competitive pressures in the UK automotive industry, far from easing, are likely to intensify as Japanese and other overseas manufacturers. other overseas manufacturers make further inroads into the

The realignments taking place in the world motor industry are of immense significance to the West Midlands because the future of the local economy, more than anywhere else In Britain, hangs so decisively upon the outcome

output will be coming from Japanese plants outside the region: from Missan's plant in region: from missan s plant in Sunderland in the north-east, from the Toyota plant to be built at Burnaston in Derby-shire, and from the Honda plant to be built at Swindon in

Wiltshire. Although these Japanese newcomers may not pose an immediate threat to volume car production in the West Midlands, it would be optimistic to suppose that the resul-tant extra capacity in the European car market will have no long-term impact on indigenous volume car manufacturers such as Rover and Peugot.

Nor can Land Rover and Jag-uar, the West Midlands' two specialist vehicle manufactur-ers, afford to rest on their lau-rels. Land Rover has already suffered from Japan's heavy inroads into the market for four-wheel-drive vehicles; now Jaguar, whatever its future ownership, is about to feel the effects of Toyota and Nissan's long-awaited assault on the

world luxury car market. The wave of inward investment by Japanese car makers however, is not viewed with

domestic market. The other is that many of the newly-emer-gent forces in the industry will be found not in the West Midlands, but around the Japanese plants or in South Wales.

It would be wrong to overdo the gloom. The big West Midlands component suppliers like GKN and Lucas are already multinationals in their own right, and many small-to-me-dium sized businesses, even if they cease to exist as direct suppliers to the car assem-blers, can still hope for a future as sub-contractors to the multi-national suppliers.

But a tendency towards parochialism among British component manufacturers gives littie cause for comfort. The entire UK components industry exports less than 10 per cent of its output, and a long tradition of supplying the car plant on their doorstep means too many West Midlands manufacturers are among the blinkered. For some, a hard landing looms once the custion of booming car sales is pulled away.

Richard Tomkins



Under threat: Jeguer, whose inherent strengths have attracted the eye of the multinational Ford

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WEST MIDLANDS 3

THE NATIONAL Exhibition now unquestionably a success. When it was first proposed in 1976 it looked a risky venture for a municipal council to

Thirteen years and several motor shows on, however, people in Birmingham are saying that the so-called white ele-phant has turned out more like a large goose which has laid several golden eggs and seems capable of producing several more vet.

Today the centre bossts 125.000 sq metres of exhibition space, having started life with only 89,000 sq m in a invest-ment worth £40m. The present site includes a recently built hall which can be converted into a 12,000 seat concert hall. The total cost has been £125m. Not all of this has come through loans raised by the city council, which with the local chamber of commerce is the main shareholder in the private company that runs the NEC. There have been grants from the European Community Regional Development Fund. But after paying off the loans, there was in 1988-89 a net

With the state of
£3.7m. This was on turnover of £40.9m and an operating surplus of £12.6m. Birmingham's city council is thus showing a return on its investment and a reward for its entrepreneurial brio. The returns are arguably not of a level with which most commercial companies would be happy. But the NEC is 100 per cent geared and there is no

surplus to the rate fund of

equity participation.

The NEC's benefit to the regional economy has been another aspect of its success. A study commissioned from Peat Marwick, McLintock, the management consultants, estimated that in 1988 visitors and exhibitors to the West Mid-lands had spent a total of £169m, an increase of 141 per cent since 1984.

In terms of jobs, the number supported by NEC-related activities had increased to 9,270, more the double the level of four years ago. Peat Mar-wick McLintock reckons the recent expansion in the number of halls at the NEC, which has resulted in a 20 per cent increase in space, will boost total expenditure by visitors to an annual £200m and incres the total number of jobs created to about 11,000 by the

The NEC is looking to just about double its capacity to more than 200,000 sq m by 2004. But its capacity to do so is open to question. The expansion will require raising a furConferences/exhibitions

Shop-window to the world

It has flourished, according to Mr Terry Golding, NEC's chief executive, partly because no one quite realised what a growth industry exhibitions had become by the 1970s. Research shows that in 1976 British companies spent some British companies spent some 2 per cent of their promotional budgets on exhibitions. The figure is now nearer 10 per cent. This year the NEC will stage at least 90 exhibitions compared with 32 in its open-ing year. It is easily Britain's largest exhibition centre with more than double the capacity of the London's Earls Court, the second largest venue in the

Even so, compared with western Europe, which stages

expansion, totalling about £100m up to 1993-94. Important to its future growth are the excellent rail and road links serving the city. Birmingham International Air-port is a 90-second overhead

light railway ride from the NEC, where BR has built a sta-

tion. The motorways are only minutes from the NEC. The city council and its Economic Development Unit are conscious of the need to improve Birmingham's image. The city has been one of Prince Charles targets because of its architectural shortcomings. But more than anything Birmingham needs people to come and stay in its centre. The EDU estimates that



A model of Birmingham's International Convention Centre

60 per cent of the world's business exhibitions, the NEC is way down the European league table, in tenth position, in terms of capacity.

The NEC dearly wants to

climb the table. As Mr Golding says: "The West Germans are leaders in the field. One exhibition alone in machine tools takes up 200,000 sq m. At the moment we cannot stage that kind of event."

The city council has funded earlier expansions by borrowing. This task has been made more difficult because of goveroment restrictions on local authority expenditure. There are ways around these restrictions as the funding of the new International Convention Centre in the middle of Birmingham has shown.

In any event, Mr Golding says the NEC is taking one that the NEC's future bookings and cash flow projections can £1.5bn is being invested in Birmingham. Much of this is on city centre schemes for shopping and leisure which it is hoped will give the city more life. An overriding aim, however, is to liven up the Interna-

offshoot of the NEC. One of the reasons why it was thought that a convention centre might work in the UK was the success in 1984 of the Overseas Rotary convention at the NEC. This gathering of 23,500 delegates was the largest undertaking ever made by the

tional Convention Centre, an

This prompted discussions of what could be done with a separate and permanent conven-tion centre. The market is reckoned to be worth £50hn a year world-wide.

The ICC, scheduled to open in April 1991, will have 11 main halls in the centre itself with seating caracities varying from 120 to 3,000 each. The halls will

include exhibition, banqueting, theatre and cinema facilities. Hall Two will double as a concert hall seating 2,200. Another reason favouring the construction of a convention centre was the feeling that the City of Birmingham Symphony Orchestra, which with its principal conductor Mr Simon Rattle has been achieving worldwide fame, should have a suitable home. Hall Two will aim to provide some of the best acoustics in the world.

Next to the convention cen-tre will be the 26-acre Brindley Place development. The centre of this project will be the £50m National Indoor Arena, for national and international sporting events. The arena will have 8,000 tiered seats. It will also be possible to convert the arena to provide additional seating for 4,000.

Also at Brindley Place will be canal-side shopping, a national aquarium, cinemas, a two-star family hotel, office and car parking. Close to the convention a Hyatt Regency five star hotel is being built. The funding of all this has been complex. The convention of all this has been complex. The convention centre itself was to have cost around £148m. The European Commission Regional Development Fund would put in £41m. but this was conditional on the venture being designated as a public sector project. Funding strains were imposed by the Tory government's spending restrictions on local authori ties; certainly Birmingham city council could not fund the centre on its own.

A solution was found by funding the construction of the International Convention Centre through the vehicle of the National Exhibition Centre Ltd, technically a private company though partly-owned by the city council. The Government apparently turned a blind eye to this and the EC grant was duly forthcoming But even with this grant

substantial amounts need to be borrowed and it is not clear when, if ever, the ICC is going to make a net contribution to rate-payers funds and emerge as a profit unit in its own right. Yet this may not matter providing the ICC contributes to revitalising the town centre Preliminary estimates sugges hat it could create at least 2,000 jobs, generate spending in excess of £50m in the 12 months after it opens, and have important spin-offs for

For the moment Birmingham is not the business centre it likes to think it is. The ICC could make all the difference.

Stewart Dalby

INWARD INVESTMENT

A forceful case for relocation

IT IS not uncommon for bly line car manufacturing prisingly, over the past four regional development corpora-tions to produce maps of Britain, Europe and, occasionally, the world, with rings rippling out from their principal cities and main towns.

The purpose: to persuade companies that their cities are perfectly located for businesses considering relocating. The authorities in Liverpool have produced a map showing that the port on Merseyside is the best midway spot between the Americas and western Europe; in Humberside, on the east coast of Britain, they lay the map of Britain on its side to show that Hull and Grimsby are the true gateways to north-ern Europe because of the fer-ries to Zeebrugge; and in Here-ford and Worcester the authorities include the empty resches of Wales in their regional maps to show that Hereford and Worcester and not the West Midlands is at the heart of the British Isles.

At the offices of the West Midlands Industrial Develop ment Authority at Coleshill outside Birmingham, the now familiar arguments of location carry more than usual force. As Mr Simon Armstrong, the director of WMIDA said:
"When you look at the map,
the West Midlands simply is the most logical place for industrial investment, especially for companies in or

related to engineering looking at the UK market." Rirmingham is situated right in the middle of the country, and is surrounded by motorways to a degree only rivalled by London. The open-ing of the M40 motorway soon will ease the congestion on the M1 and the M6. Unlike the capital though, more 90 per cent of the domestic market is

ny truck. The West Midlands also has its own international airport (Birmingham International), described as the top regional airport in England and Wales. The main west coast rail route from Euston, London, to the north of England and Scotland via Birmingham, is another attraction.

The West Midlands was

within a day's driving distance

always the centre of Britain's automotive industry. This tradition of engineering contin-ues although it is component commanies rather than assem-

which predominates. One of the reasons behind Toyota's decision to set up near Derby was the proximity of component manufacturers.

There are 70 in Redditch

Although manufacturing is still the principal type of activity (more than one third of the population is engaged in man-ufacturing and the sector con-tributes the highest proportion of regional gross domestic product of any region), there has been a diversification into high-tech industries as well as

the service sector.

The West Midlands is beginning to experience labour shortages and mismatches of skills. The availability of industrial land is being red too. But wages are still between 90 per cent and

years the region has attracted about 25 per cent of total foreign investment in the UK in what broadly may be classified as manufacturing. In 1988-89, just under under 2500m was invested in 79 projects, a level of investment largely

Mr Armstrong sees the trend continuing for the foreseeable future. He feels that good communications, reasonably priced land, and good quality labour are stronger attractions

The region's good communications and relatively low costs present a pretty convincing argument for companies considering new investments or relocation. Not surprisingly, over the past four years the West Midlands has attracted about 25 per cent of total foreign investment in the UK's manufacturing sector. in 1988-89, just under £500m was invested

95 per cent of what they are in the prosperous sonth-east. Industrial land can still be found for £100,000 in some parts although it is also true that fully serviced industrial prices of £800,000 an acre.
It also remains available in

quantity. Mr Tony Bradley, deputy director of WMIDA, says that when Toyota first looked at the West Midland as a possible site for its new UK plant, seven 250 acre plots

were identified. In the event Toyota went to Derbyshire, which is outside WMIDA's remit (The anthority's area covers the seven councils of greater Birmingham plus Hereford and Worcester, Staffordshire, Shropshire and Warwick-

West Midlands' good com munications and relatively low costs thus present a pretty convincing argument. Not surunchanged since 1985.
Last year's crop of inward investors included a Norwegian pharmaceutical concern.

a French hotel, a French wheelbarrow manufacturer, a West German data-based financial services company and a Swiss specialist metals

for relocating companies than

in 79 projects, a level of investment largely unchanged since 1985

> grants and other inducements. West German companies, he says, will invest because the severe labour shortages in their own country impose a constraint on expanding capacity there.
> The Japanese will set up in the West Midlands because

1992 is looming and they fear the possible development of a fortress Europe.

Having spent the past five years in the Falklands with

the development anthority there and before that in Scotland, Mr Armstrong has strong views about incentives to relocate. "I believe in regional com-

monsense," he says. "I don't believe in subsidising compa-nies to go somewhere where rationally they simply should not be. The Highlands and Islands Board has one of the best packages in the country. One way and another you can obtain up to 70 per cent of

But what you have to bear in mind is that these grants are just a one-off. After the factory is built you have to live with the recurrent costs of your location decision, with all that means in terms of labour and distance from mar-

WMIDA is purely a promo-tional agency. With an annual budget of about £1m, its main aim is to attract foreign investment, It does not have and on offer, although it can direct potential investors towards the relevant economic development units at the vari-ons councils.

Regional selective assistant is also available but this is is also available but this is more discriminatory than the regional grants which it replaced and amounts at most to 15 per cent of start-up costs. If the West Midlands

its location and infrastructure, what does the investment do for the region? WMIDA esti-mates that the 79 projects launched in 1988-89 will create around 4,000 jobs with possi-bly a similar number of existing jobs protected or consoli-dated. But this is only the tip of the iceberg.

The city of Birmingham has estimated the value of total developments under way at £1.5bn. Some £395m is in office development, a further £131m in retail. Only £163m is characterised as industrial, although there is a further £611m in mixed investment.

Much of this will be for the expansion of manufacturing companies. Combined with the new incoming foreign investment, the overall multiplier effect in the creation of jobs is

The automotive industry is a good case in point. As the pressures increase for a higher proportion of locally manufactured components, foreign manufacturers, notably the Japanese, will, they say, use local component companies rather than shipping in parts from Japan. This can only be good for securing new jobs for the West Midlands, where the rate of unemployment has been on a downward trend in

Stewart Dalby

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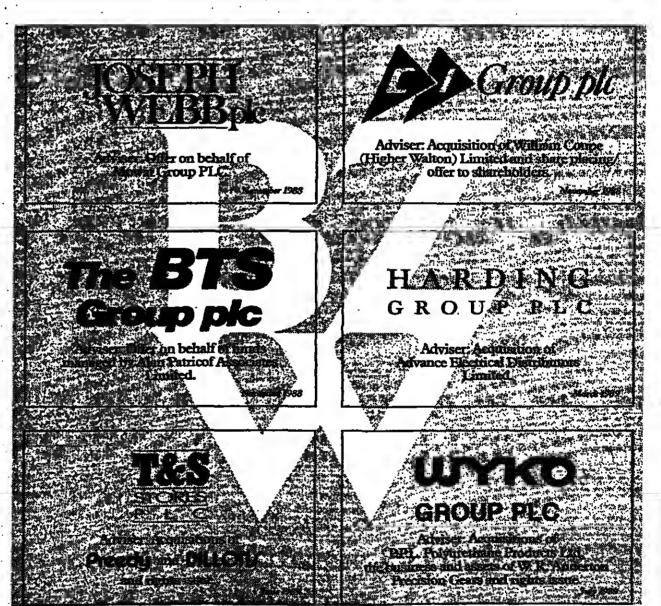
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THE EUROPEAN SINGLE MARKET

Challenge of 1992

BIRMINGHAM may be indisputably at the heart of Britain, but how is it adjusting to the thought of being on the edge of Europe as the introduc-tion of the European Single Market and the opening of the Channel Tunnel in 1993 draw

In a sense the West Midlands has been drawing closer to Europe for some years. There have been an increasing number of flights from Birmingham International Airport to European destinations; it is now possible to fly to 25 destina-tions in Europe from Birming-

This year British Airways announced it was to adopt the airport as a "hub", using it as the main interchange point between domestic flights arriving from airports in the British Isles and European flights going on to continental destinations. This has led to the construction of a new £80m ter-

Business people in the region are being made increasingly aware that from 1993. assuming the Channel tunnel is built on schedule, there will be direct rail links to Paris and Brussels. Initially, however, British Rail's existing track some modernisations. This means that trains departing from Birmingham will not be able to reach and maintain speeds of 180 mph achievable on the continent. It will thus still be quicker to fly, though not as cheap. Nevertheless, from 1993 there will be direct transport links between the West Midlands and Europe, an important psychological turn-

ing point. Birmingham city council has been active in Europe for some time. The European Commnnity Regional Development Fund has provided funding for special projects, not least the city's International Convention Centre, which has received, or is receiving, about £40m in grants from the fund.

Birmingham council maintains an office in Brussels

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whose main aim is to secure European funding for city projects. Apart from the money for the convention centre, the EC is contributing £203m in aids and loans as part of a aids and loans as part of a second investment programme over the period 1987-1991. This is thought to be the first such aid package in Britain under the "Integrated Development Operation" scheme.

Birmingham city council's Economic Development Unit

Economic Development Unit staged, in June 1988, a Euro-pean Week. With funding from the European Commission, the event attracted many business people to its seminars and dis-cussions. The unit now runs a cussions. The unit how runs a series of short courses under the banner of its 1992 Joint European Training Scheme. The programme, which again has been funded by the European Commission to the tune of £206,000, covers the implica-tions of 1992 in terms of export opportunities, agencies, insur-ance and so on. There are also

foreign language courses.

The local branch of the Confederation of British Industry is also promoting the 1992 mesis also promoting the next message. It, too, has a programme of seminars which are backed up by reference material and an advice botline. Ten companies have produced books for the seminars and briefings. Subjects include acquisition finance, marketing strategy, employment training, law and distribution.

TNT Express (UK), for example, one of Britain's leading parcel carriers, has appointed a 1992 manager, and its briefing covers the planned removal of barriers within the EC, the lib-eralisation of transport stems and the harmonisation

of transport regulations.
Probably the organisation
most actively involved in promoting the 1992 message in the
region is the Birmingham
Chamber of Commerce and Industry, one of the largest such groups in Britain with more than 5,000 members including 1,000 exporters. The Chamber is host to one

of only four "Euro-guichets" or

More and more companies

reach the heart of the UK with the

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attracted 25% of the UK total of 25,800 jobs created by overseas

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During the first nine months of 1988, the West Midlands

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important factor, often the crit-ical factor in determining whether a business will start up, relocate or expand in a given area.

Accordingly, the Economic Development Unit of the City of Birmingham, which with 300 staff is almost certainly the largest such unit in Britain, emphasises the area's good links in its welter of promotional literature.

European Business Centres, set

up by the European Commis-

sion. The aim is to have 20

throughout Britain. For the

moment the advice centre is

the only one to be operated

from a chamber of commerce.

Ashmore, the business centre in conjunction with the international arm of the chamber, of which he is director, has two

aims. One is to increase aware

ness of 1992 and its implica-

tions. The second is to promote seminars and courses which will inform members of what

with interior in made to what progress is being made towards trade harmonisation and the opportunities this will throw up for the business sector.

"I think we should not be afraid of 1992. It represents a great opportunity . But there is a low level of awareness of just

what the Single Market will mean and what progress is being made towards it," Mr

fering rates of progress. One is documentation. For example, if

a rock band went to perform in

Paris it would have all manner of forms to fill in to ensure the

safe passage and return of its instruments. With the intro-duction of the "Euro-carnet", a

process is greatly simplified.

If, on the other hand, a donble glazier from Britain wanted to undertake work in West

Germany, he or she would still

law and distribution are still

Stewart Dalby

According to Mr Graham

The West Midlands has excellent road links, it says, and together with the international airport and fast rail connections to London and the north, it means the region offers significant advantages to businesses which want to be both close to suppliers and have fast transit to the ports and main population centres within Britain and Europe.

In short, Birmingham located etrategically at the heart of the West Midlands and the most accessible city in Britain. A glance at any mod-ern road atlas shows that Birmingham is fully encircled by

The juggernaut traffic on the motorways going south should get some relief from the opening of the Channel tunnel

motorways (M5, M6, M42) linked to the city by a meshed series of trunk roads (A38, A45, A456, A41). The M6 traverse the northern sector of the city, and at one point "spaghetti junction" reaches to within a couple of miles of the city cen-

find it virtually impossible. There would be all kinds of non-tariff obstacles such as trade union problems, design the Automobile Association and the Department of Transdifferences, divergence on safety regulations, working practices and so on. port, Birmingham has average peak entry and exit times of 17.6 mph, which are signifi-cantly faster than London (11.7 In one sense 1992 is already here in that barriers are already being dismantled. In another it is artificial because mph), Glasgow (12 mph), Man-chester (11.7 mph), and Leeds different areas are moving at (14.8 mph).
All this may well be true but varying rates. While there has been progress on financial der-egulation, changes in agency

anyone who has recently driven along the MI/M6 link must be allowed their doubts about the level of congestion. It seems as overcrowded as the M25 around London. The Department of Transport readily admits the M25 has attracted traffic well in excess of original projections. The M25 seems a classic variant of Professor Northcote Parkinson's law that traffic expands to meet the roads available.

Pressure on the overcrowded M1 and M6 should be alleviated when the M40 Birmingham-London motorway, the so-called Oxford link, is opened in late 1991. This will divert from the opening of the Chantraffic to the west of Birmingturnel does open on schedule in 1993, then from day one British Rail, in conjunction with its Belgian and French coun-terparts, plans to run two passenger services a day up the west coastline and two up the east coast line via Waterloo,

This is irrespective of whether the high speed link from the tunnel to Kings Cross is built and whether there is a direct tie-up through Kings

To provide this service will be expensive not least because of the need for three sources of power supply as the British, French and Belgium systems are not compatible. There is also the cost of the special 18-

infrastructural adjustments at Waterloo and elsewhere, see likely to go ahead. British Rail has costed everything apart from what kind of 18-coach "international trains" it will bny (it has already decided on its choice of shuttle trains and which trains to use for the journey from Waterloo to the continent). Initially these will run on British Rail's existing tracks at conventional speeds, but will also be able to take advantage of the high speed tracks planned on the conti-

In terms of freight British Rail has identified eight possi-ble sites in the West Midlands for a new regional Channel tunnel freight terminal and has been discussing these with local councils. The demands of freight will involve British Rail building an international freight marshalling yard and customs clearance depot at Willesdon, in north London. It will have to undertake bridge and tunnel work between Padkill and the translete Place of the property of the translete Place of the property of the translete Place of the property of the pr Redhill and the tunnel to allow clearance for 8ft 6in high inter-national containers on freigh-

£700m and £1.1bn. But it seems doubtful whether in the early years, at least, the rail connec-tions to the continent will significantly relieve the pressure on the motorways. Until the high-speed rail link to Kings Cross is built – and rising costs make that seem unlikely until the mid to late 1990s trains on the west coast route will not be able to reach the 180 mph speeds possible on the

It will still be quicker to fly to Brussels and Paris than take the train. Most business travellers, it is thought, are unlikely to change their existing method of transport.

Although British Rail has decided not to convert its tracks to the Berne gauge, the standard track width on the continent, it feels that with the proper investment in specialised wagons and standard boxes compatible with the Berne gauge, exports could



Stewart Dalby on the region's expanding communications network

Increased capacity crucial to relieve pressure on demand

diverted from road to rail

But transport analysts at the

it will be importers who will benefit rather than exporters. This is because rail freight is

far more common and the net-

work more sophisticated on the continent than in Britain.

There are more private sidings, depots and collection points

abroad than in the UK.
As for air travel, five years
ago Birmingham International,

the country's fifth largest air-port after Heathrow, Gatwick,

Manchester and Glasgow, opened a new terminal with a

handling capacity of 3m pas-sengers. This, it was thought

ever, By 2000 some 10m passen-gers could be using Birming-

The airport was recently given permission to build a new terminal at a cost of £60m.

ham International.

transportation.

ham and ultimately on to the

There are a number of other road schemes in the pipeline including a £19m scheme to build a northern link from the M42 to the M5 near Bromsgrove, and the A446 Birmingham Northern Relief Road - a 33-mile motorway costing £185m and designed to relieve pressure on the M6. Apart from pressure on the Mc. Apart from the M40, however, the most important new road is the £166m Mi-Al connection, due for completion in 1992. This will provide the missing link between the West Midlands and the east coast ports. In theory, the juggernaut traffic on the motorways going

nel tunnel. Assuming that the

On the passenger side, all this plus the amendments to the West London line and the

The region's transport network offers significant advantages to businesses which want good access to markets and suppliers

This will all cost between

This should open in 1991 and in decision to adopt Birmingham International as a "hub", using it as the main interchange point between domestic flights arriving from airports in the British Isles and European flights going on to continental destinations.

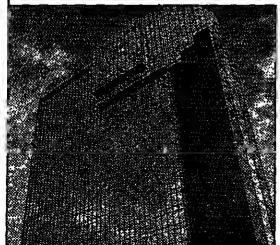
Flights from Birmingham International now connect with 25 continental destinations and 12 domestic ones. There are more than 500 flights a week to the continent. It is easier to fly to many European capitals from Birmingham than travel to Gatwick or Heathrow and for the foresee-able future it will be quicker

at the time, would see it than taking the train.
through the 1990s. It is now The growth seems se
bursting at the seams, how time. The airport The growth seems set to continue. The airport recently applied for "gateway" status which would mean inter-continental flights to the US and possibly Asia. This was turned down, but Birmingham International will keep trying.



Spaghetti kinction: at the heart Birmingham's road petwork

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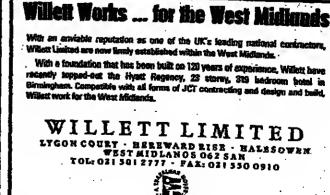
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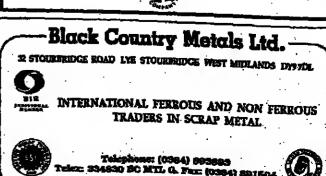
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MIDLAND METRO

High costs threaten to derail project

only ins royal assau, which should come by the end of the year. The first stage of the West Midlands light transit railway, known as the Midland Metro can then, after many years of planning, no ahead.

By 2,900, the metro, funds permitting, should resemble the planners overall design: a network of 200 km with post-bly up to 10 kms linking the towns of the Black Country, connecting the suburbs of Birmingham to the city centre and separately serving Coven-try. The overall cost is estimated at between £800m to

To date only three three lines have got beyond the

The only snag is who is going to fund it. At the moment not even the £56m needed to finance stage one has been raised

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Herry -

drawing board. Stage one — the cheapest and least bother-some to instal largely because it will utilise old disused railway track - is from Birmingham, Snow Hill, to Wolver-hampton, a distance of 22 km, with some 27 stops along a route which would go through West Bromwich and Bilston. The projected cost is around.

However, stages two and three threaten to become progressively more expensive. The bills for parliament for stages two and three are in prepara-tion. Stage two would comprise the city centre line from Five Ways in the heart of Birming ham near the International Convention Centre, through New Street and Heartlands and

link up with stage one. Part of stage two, from Five Ways to New Street, would be underground. The rest of stage two and the entire route of stage three would be overland. stage three would be overland.
Segregated track would be used where appropriate, with its own right of way. It would include not only disused railway lines, but parallel roads and the centre strip of dual-

carriageways. The cost of the first three stages is estimated at between £250 and £300m.

The only mag is who is going to pay for it. At the moment not even the £56m needed to fund stage one has been raised. A tentative application was submitted to the Department of Environment for funds to be released after the bill receives royal assent. However, the change of ministers following the cabinet resource The DoE was asked because it is the department response. The DoE was asked because it is the department responsible for local government spending. At least part of the cost would have to be met, if would appear, from the local councils through whose territories the metro will run. But given the horrowing limits imposed on local authorities, it seems doubtful whether cation was submitted to the

ies, it seems doubtful whether the councils could even raise the relatively modest 256m to start the metric. Some funding

start the metro. Some funding either from the government or the private sector would seem essential.

But the government's attitude is not clear. Whitehall believes that railways of this kind should be funded where possible by the private sector. But as Mr Ray Rughes, the head of Metro Development at the West Midlands Passenger. Transport Executive (WMPTE) says: "The government does not have a hard and fast policy; it has loose guidelines."
The debate over the funding of the LTR in London's Dock-

lands and the high speed rail

THE RILL has gone through link for the Channel tunnel parliament and now awaits illustrate the complexities of only the royal assent, which trying to involve the private illustrate the complexities of trying to involve the private sector. The capital outlays are enormous but pricing policy for a commercial return is complicated because it can be

> and benefits.
> This is nowhere more true This is nowhere more true than in the area of non-user costs and benefits, such as road congestion. Another is emulasions from buses which cause pointion. However, the carriages proposed for the Metro, which are similar to those used on the Docklands LTR, are non-polluting. For those over 40 this signals the return of the tram in all but return of the tram in all but

difficult to quantify the costs

Congestion is difficult to quantity. The British Road Federation has estimated that the cost of traffic congestion in Britain's conurbations totals 23hn. In the West Midlands, an mes of 3m people, the cost has been put at £42m a year. The WMPTE estimates that more than 300 buses an hour pass through Birmingham's New Street, right at the city's heart, A more typical number for a commutation of Birmingham's

size would be 80 an hour. There are other less obvious benefits to be taken into consideration. For example, much of the area's population growth has been in suburbs where there are no railway lines. A metro would draw them into the city by making in-town shopping easier. But at the same time new businesses,

same time new businesses, offices and shopping centres would he encouraged to relocate outside of the city centre, attracted by the fact that there were good transport links.

Indeed, one way of defraying the costs is to give investors the opportunity to develop derelict or under used hand along side or near the route of the metro tracks. However, the metro tracks. However, the out to the National Exhibition sums are complicated. Sites Centre. Stage three would go only appreciate in value once from Dudley to Walsall and the track is in place and developers can see for themselves the true potential. It is a clasthe true potential. It is a classic chicken and egg argument.
The WMPTE is under no illusions that the metro will have to be funded by private and public money. It is looking to raise 26 per cent of the costs from the private sector, up to 40 per cent from the European Community Regional Develop-ment Fund, 20 per cent from the government and 20 per cent from the West Midlands Passenger Transport Author-ity, comprising the seven local

> One way of defraying the costs is to give investors the opportunity to develop derelict land

alongside the route

of the metro councils in the area.

The government can, under the 1968 Transport Act, give capital grants for projects of this kind. The fact that a pay-ment of £47m for Manchester's metro looks imminent has encouraged hopes in the West Midlands that its application

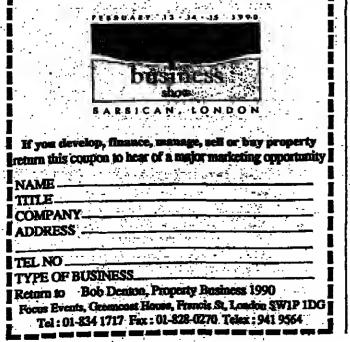
Midlands that its application for funding will be be favourably treated.

As a transport economist at the City of Birmingham's Economic Development Unit, said:
"It seems the government wants to be satisfied that once the country of it gives a grant that will be the end of it. It does not want to find the local authority coming

hack year after year looking for money to finance a loss making venture."

The WMPTE is convinced that the first three stages of the Metro will make comfortable constitutions. able operating profits. For the moment, however, the ball is firmly in the court of the new Transport Secretary, Mr Cecil Parkinson.

Stewart Dalby



Robert Waterhouse on the pressure to find good industrial sites

A search for the prize plots

years of coping with redun-dant, almost valueless space the pressure is on to find good, serviced accommodation any-where in the West Midlands. sq ft. A £10m first phase of Pendeford Business Park, Wol-verhampton, is taking shape with a 13,500 sq ft pre-let for at the sort of rental values that send developers scurrying to their calculators. The problem lies in finding suitable sites for Alfred McAlpine Construction's regional headquarters.
All this, however, is merely keeping pace with present demand. Birmingham city council has led the move for a more strategic approach, tak-ing the view that portfolio bal-ance was particularly poor at the top end of the market.

in the opinion of Mr Barry Allen, of Debenham Tewson Chesshire, be totally had in that it should return a little realism to the market People with land percels around the West Midlands are tending to hold out in the hope and expectation of B1 designation. They should realise that some land is shed land, Mr Allen says. A premium sites study iden-tified three potential greenfield sites around the West Midlands. The study was endorsed by Mr William Waldegrave And at around 25 per sq ft on the nail, new sheds are not had business these days. Chester-ton have new-build industrial during his time at the Depart-ment of Environment; its units of up to 125,000 sq ft available at Castle Bromwich, for instance, and two other sizeable shed schemes at Forge to be incorporated in forthcom-ing unitary development plans. The sites are outside Bir-Lane, Minworth.

Birmingham Business Park
at Solihull, on a 158 acre site
developed by Arlington Securities, is already on phase to the
Coventry's Westmood Bretiness. mingham itself, but that is not seen as a problem by Mr John Bird, the city's acting assistant

BIRMINGHAM is not the only city to have problems match-ing supply of industrial land with market demand. After

Schemes are coming onstream

A hint of recession may not,

of acres, letting at £13-£14 per conurbation." He is not particularly worried about timing, or the effects of a market downturn. "Cycles come and go," he suggests, "we're trying to gear ourselves for the next 10

> Top of the list is a 200-acre Top of the list is a 200-acre stretch of interim green belt close to junction 4 of the M42 which Solihull Metropolitan Borough Council and Speyhewk are jointly promoting as Blythe Valley Park. A preliminary consultation exercise carried out during September stressed both the economic and intended environmental benefits of the proposal. fits of the proposal.

But none of the strategic sites could be confirmed without a lengthy public inquiry involving green belt issues. That puts them perhaps five years away at the earliest, and represents what some see as a window of opportunity for the brownfield sites in Birming-ham Heartlands and the Black Country. However, land recla-mation in both areas is only now getting seriously under way and it will be at least two

years before much volume begins to come through.

This encourages the so-called doughnut effect, with develop-mental pressures pushing outwards from the hollow centre and attempting to straddle green belt restrictions. Mr Tony Bradley, general man-ager of the West Midlands Industrial Development Association (WMIDA), the regional inward investment agency, reports e high level of interest from overseas companies seek-ing to invest in the region but a preference for established greenfield sites where their image is automatically reinforced. Mr Bradley says he is "coping with difficulty" in the present restricted circum-

WMIDA is about to commission its own study in an attempt to quantify demand. Mr Bradley points out that overseas investors tend to have wider perspectives than county boundaries. A base in the Mid-lands within 30 miles or so of Birmingham may suit them fine. In the case of Toyota, it was probably no accident that the company found a site adjacent to but not part of the Birmingham conurbation. And investment which finds a home somewhere else in the country is a success story for all. "West Midlands first, but Britain sec-ond," as Mr Bradley puts it.

Regional analysis by govern-ment bodies is beginning to class the West Midlands economy as an integral if outlying part of the south-east rather than a generator in its own right. The causes are well charted - spiralling south-east costs and labour problems; the anticipated arrival of the M40; the change of emphasis from manufacturing to service industries within the West Midlands; and the improved

profile of Birmingham itself.
These all reinforce Birmingam Heartlands' confidence in its Star Site's future role as an international business exchange. Yet one question Heartlands must address is to what extent it serves the local community - typified by high unemployment and social malaise - compared to its regional, indeed national role. Quite apart from the issue of relocating small businesses occupying an inordinate amount of space, there could be clashes over potentially lucrative housing areas as the eneral environment improves

Birmingham Heartlands Ltd was unable to find office accommodation inside the development area because mingham culture. Instead, it took sixth-floor space in Nech-ells House, a "flatted factory" built by the city council during the 1950s when land for pro-ductive industry was at a pre-mium. By the time Heartlands completes its task it hopes to have created more than 4m sq ft of B1 or office accommoda-

That illustrates the scale of change the market intends to bring to east Birmingham. It presumes continuing regional growth, a national economy which encourages investment, and a healthy admix of inter-

national business. Heartlands still bas large turing, where companies are already investing heavily. But it could end up competing with the strategic greenfield sites in a decade or so. The doughnut will have become a currant

RETAIL DEVELOPMENTS

sites are for the benefit of the

director of development. "We don't have a Clochemerie atti-

Regional store wars

ON NOVEMBER 15 the Merry out so much as a plan - Mr Hill Centre's 1.2m sq ft Don Richardson simply hints regional shopping mall opens its doors for business. This is the most important phase by far of a retail venture begun in a modest way when Mr Roy Richardson and brother Don tested the planning implicahouse on the 120-acre former Round Oak steelworks site they owned within Dudley Enterprise Zone,

Coventry's Westwood Business

Park is down to its last couple

One retail shed led to snother, then to a superstore and to bigger retail outlets. The opening of the mall, and the arrival of high street names like Dehenhams, Marks & Spencer, BHS, C&A, Littlewoods and Next, will put Merry Hill on a par with shop-ping centres around the West Midlands. It is a moment to be savoured by the Richardson twins, born at Brierley Hill nearby, who have made their millions locally and operate from Dudley Road East in Old-

bury. Hill just grew, faelled by its profits and the slowly-unfolding Richardson vision. It was, at first, something of a joke. Road access, for instance, was poor. Today everybody takes it seriously. As the asons preak roads have improved to serve Marry Hill. On site, patrolled parking, minibus services link-ing local communities and a monorail seem to guarantee

satisfied customers.

Phase six, already under construction, promises 350,000 sq ft of luxury offices with — in a final evolution from shed life - 70,000 sq ft of festival shopping. The Richardsons are working on phase seven whose elements will include a 120-bed hotel and conference centre, various leisure attractions and a heritage centre to complete Merry Hill.

The fact that it started with-

ning permission in the courts, will lobby against further sub-sidies for what has emerged as that Dudley asked him to create action in the enterprise zone – has made a nonsense of coherent regional retail policy in the West Midlands. Merry Hill sparked off a round of BCDC's flagship scheme. Mr John Bird, of Birming-

reinvestment in the traditional shopping centres. Then three years ago Sandwell Metropolitan Borough Council gave out-line permission to another retail mega-scheme at Wednesbury, the scheme now known as Sandwell 2000. This summer Speyhawk, which is developing Sandwell

2000 together with the Alton Towers Group, obtained detailed planning permission for the £350m, 4m sq ft scheme from the Black Country Devel-opment Corporation (BCDC) in spite of opposition from all West Midlands local authorities except Sandwell Like Merry Hill. Sandwell 2000 combines retail and leisure activities. Unlike Merry Hill, it is planned as an integral develop-ment, with work starting on site late in 1991 and completion

by 1995. The scheme's chances of being built - and it is by no means a foregone conclusion - are helped by land reclamation work associated with open-cast operations at the former Patent Shaft pit which occupies two thirds of the site. But Speyhawk's Mr Andrew Whitehorn says that much will depend on the level of preparation demanded by investors when it comes to signing a deal in advance of construction. He is not anticipating much firet infrastructure contribu-

direct infrastructure contribution from the public purse, apart from the Black Country, spine road nearby for which government funds — and a convenient roundabout — are already secured. The local challenging the detailed plan-

ham's development department, says that the city is happy to compete but will strongly oppose future out-oftown schemes. He points out that the strategic guidance given to local authorities in preparing unitary development plans backs the need for strong urban centres. How was it,

री भी दिवारि के राज्यक्रम का भी रहे । एक साम का

claims that the scheme will have all the vitality of a town centre. In reality, he says, Sandwell 2000 could be far more varied than the concept design worked up for the planning application by Seifert. Five or six different architects will contribute to a patchwork of shapes in which hotels, res-taurants, pubs, clubs and lei-sure amenities take up as

much floorspace as the retail-

then, he asks, that the Envi-

ronment Secretary declined to call in the Sandwell proposal? Speyhawk's Mr Whitehorn

Publicity promotes the scheme as of regional, indeed national importance. That, in itself, is a break with tradition. One explanation for Merry Hill

and Sandwell is that in the past Birmingham has simply been the largest of many West Midlands shopping centres tending to live off localised business. Spurred on, Birmingham is attracting its own renewal schemes — the most important being London & Edinburgh Trust's proposed £450m Bull Ring redevelop-

How much more new retail

floorspace can the region sup-port? A study commissioned by the West Midlands local authorities from Drivers Jonas took a less than bullish line even before recent interest rate rises. Quite apart from Sand-well 2000, BCDC has granted planning permissions for 500,000 sq ft of non-food retail

outlets in the Black Country area. In the circumstances, developers will be anxious to see how Merry Hill's new malls perform during the run-up to Christmas.

Mr Whitehorn takes an opti mistic long view of the West Midlands economy. He sees Merry Hill, because of its piecemeal development, as backward looking and no disincentive to Sandwell 2000. Mr Don Richardson, with his Merry Hill stores about to open, tends to be more generous. "We can live with Sandwell. We hope it goes ahead." The scheme, he implies, may even need a little down-to-earth assistance from Black Country specialists.

Robert Waterhouse

MID WALES

The Financial Times proposes to publish a Survey on the above on

3RD NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES

Midland Metro. Now's the time to get on board.

The Parliamentary Bill for the first Midland Metro light rail rapid transit line between Birmingham Snow Hill and Wolverhampton is expected to receive Royal Assent later this month. Two further routes (each 26km long) will be included in a second Bill, to be presented this November, and this is just the start. By 1993, one of the world's

most advanced rapid transit systems should be operating in the West Midlands. The works involve the provision of overhead line equipment, sub-stations, a depot and track and highway works including reconstruction, landscaping, signalling

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midland metro

Behind it, there's a lot to look forward to.

Robert J. Tarr, Director General, West Midlands Passenger Transport Executive, 16 Summer Lane, Birmingham B19 3SD

BLACK COUNTRY DEVELOPMENT CORPORATION

Southern prospects, northern values

Country Development Corporation staff met with an assortment of local people to present prizes for their 1990 calendar

competition. Entries had been invited in six categories on the theme of black and white into colour, symbolising Black Country rejuvenation. Mr Bill Tidy, the cartoonist, helped judge the 100 or so entries which offered visual proof of community pride in the past, and in the current process of change.

The Black Country approach is not just about bricks, mortar and private sector leverage

To Mr David Morgan, the corporation's chief executive, this homely event was perhaps the first time his organisation had touched the Black Country psyche. After two years of sweat, £37.5m spent mostly on land acquisition, and more 800 planning applications approved bringing the prospect of nearly 14,000 jobs, this simple event somehow made the whole exer-

Mr Morgan is very much a man in the new towns tradition. His own teenage years were spent at Stevenage, and his reputation was made at Peterborongh. He notes that the Scottish new town Glen-rothes has just celebrated its 40th anniversary, and that Prince Charles has not singled out a new town environment for castigation. They are, Mr Morgan suggests, okay places.

So the Black Country approach is not just about bricks, mortar and private sector leverage. The message is underscored by aphorisms slot-ted into this year'a annual report, summarised by a quote from Hegel on the back cover: "If all the dreams which men had dreamed during a particu-lar period were written down, they would give an accurate notion of the spirit which pre-

vailed at the time."

But dreams have to become reality in a desperately short timescale for urban development corporations. The spate of planning approvals pro-cessed by mid-September 1989 give a fairly accurate notion of today's priorities. They include more than 2m sq ft of indus-trial floorspace, 875,000 sq ft of warehousing, 658,000 sq ft of office accommodation, and some 500,000 sq ft of non-food retailing (excluding Sandwell

This year'a BCDC corporate plan looks ahead to April 1993 when its £160m will have been spent and the mission mostly achieved. A large part of the action depends on speedy real-isation of the Black Country spine road which will be built to very tight contracts and is doe for completion by the end

Although it is only a few miles long, linking junction 1 of the M5 with junction 10 of

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DUBLIN

thousands to overcome the problems of redundancy.

the M6 via the West Bromwich if confirmed, will provide the Expressway and the Black Country Route, the spine road has come out of the hat as a full grade-separated dual-carriageway costing £140m. This compares with the estimate of £50m when Department of Transport approval was announced in March 1968.

At the time it was seen as a triumph for BCDC's chairman. Sir Bill Francis, that the road had been "trunked" or centrally funded. Black Country fortune contrasts with the trib-

Unemployment has fallen consistently and development pressures are

beginning to build up

ulations of Birmingham Heartlands. The spine will provide the essential economic generator. But, by implication, the

Black Country will also be opening up its inner core to the national motorway network as traffic finds a bypass to the notorious M5/M6 junction. This autumn the line of the route, which already has plan-ning permission, was examined at a public inquiry dealing with objections of businesses

and homes A separate inquiry follows next month into a compulsory purchase order promoted hy BCDC to acquire 570 acres bordering the route to add to the 680 acres it already owns. This, bulk of the corporation's land bank. Income from site disposal is estimated at £18m by

Businesses affected by the road line will be found alternative premises and given priority when BCDC comes to selling its sites. As a last resort, the corporation is committed to develop a site catering for specific needs of the smaller displaced companies.

The route passes through three Black Country highway authority areas — Sandwell, Wolverhampton and Walsall. The anthorities will act as agents for the Department of

This will speed up the entire the partnership approach.
BCDC has been pursuing with
the local authorities, which act
as planning and land reclamation agents within their own

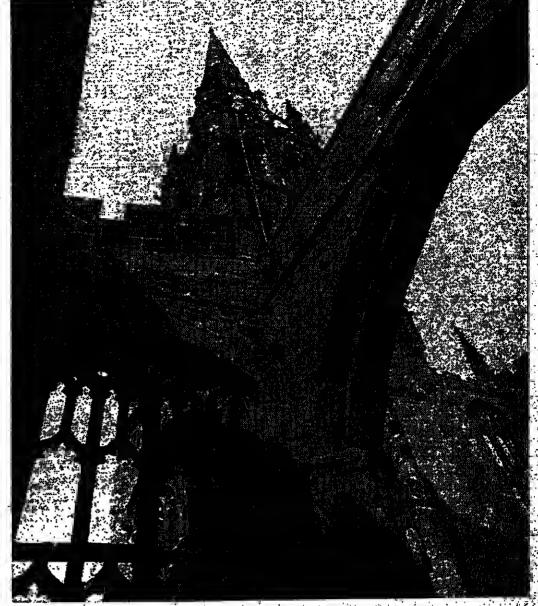
Sandwell, the main host authority, has moved from a position of outright opposition pre-designation to one of close co-operation with BCDC. The Lahour-controlled anthority provides two BCDC board mbers in councillors Mr Roy Davis and Mr Ron Partridge. Sandwell's senior assistant borough secretary, Mr Nigel Sum-mers, says that different phi-losophies are shelved in the nmon cause to stem dereliction and improve infrastruc-ture. It is a process which allows the local authority to feed in information and ideas. Writing in a recent local government journal, Wolverhamp-ton's chief executive, Mr Mick Lyons, not without problems in his own borough, commented that the most important aspect of co-operation was the confident signal it gave to private sector investors.

Confidence is the name of the game in the Black Country. What Mr David Morgan calls the fourth dimension of BCDC activity must be grafted onto a complex area where aome 35,000 people live and 53,000 work. Although parts are des-

The most important aspect of co-operation was the confident signal it gave to the private sector

perately derelict and contaminated by former industries, unemployment has fallen consistently and development pressures are heginning to

In its brief life, BCDC has to harness these pressures, lay out the new environment for changing lifestyles, and create a revised legacy for future gen-erations. This, Mr Morgan proposes, might combine southern prospects with northern values. In a new town context, he would have seen himself as the provider of such an ethos; in the Black Country he is happy to be called an enabler.



The remains of a 14th century spire, now part of the very modern Coventry cathedral

BIRMINGHAM HEARTLANDS

A heart in need of financial surgery

IN DEFIANCE of simple anatomy, the heart needs a spine. Birmingham Heartlands, born in November 1987 as a private-sector alternative to urban development corporations, will waste away during infancy unless its proposed spine road is funded by central government. Infrastructure is

That, in essence, is the posi-tion of Birmingham Heart-lands' chief executive, Mr Alan Osbourne, chairman of Tarmac

Construction.

Mr Osbourne puts his case starkly: with the spine road come 11,000 directly related jobs and the promise of private-sector investment totalling £1.1bn for Heartlands; without the road, a few thousand additional jobs and maybe between £300 and £400m

At a cost of around £74m, including a £15m developer contribution, plus a further £56m in support roads, the spine would seem an excellent

bet.
The problem is finding a mechanism. Because it has no "up-front" money, Heartlands cannot sketch in the road – as development corporations do with confidence. An applica-tion to have the acheme "trunked", and so financed directly by the Department of Transport, is thought unlikely to succeed.

The spine road will have to take its chances in Birming-ham's 1990 road programme, hidding for 50 per cent government funding topped np by technical procedures. Support roads could be funded from

Foads could be funded from European sources.

Birmingham city council, a partner in Heartlands, prepared the spine road feasibility study and is fully behind the coocept. The line has been firmed after a process of consultation. But unless the road

is financed from central gov-ernment sources the local Heartlands will know in December whether the spine road is at least programmed for

On the map it seems hardly possible that this semi-derelict 2,500 acre wedge of east Birmingham needs yet another road. Part of its boundary is defined by the Aston Express-way leading via Spaghetti Junction to the A38 Tyburn Road; the M6 crosses the area at high level and also defines a stretch of its border. Birmingham'a middle ring road divides Heartlands from Aston Science Park and the city centre.

But access to the big sites left behind by public utilities, and to Fort Dunlop, is poor While dislodging some homes and businesses, the spine road will open a new path np the centre of this forgotten area. reinforcing business confidence and encouraging new investment. In all it will enable 4.5m sq ft of commercial and industrial floorspace to be

The city council has a 35 per cent stake in Birmingham Heartlands Ltd. But the company's operational muscle is provided by a consortium of developers – Bryant, Douglas, Galliford, Tarmac and Wimpey who between them have 64 per cent of shares (the remain-

ing one per cent being with Birmingham Chamber of Com-The developers intend, in various combinations, to tackle industry and housing, greening dereliction and creating a total

20,000 jobs in an area with levels of unemployment still pushing towards 30 per cent in

places.

The consortia work within an agreed development framework, acquiring and assembling land parcels. Birmingham city council remains the planting authority and grant ning authority, and grant applications are forwarded to government departments in the normal way.

It is an ambitious and inno-

wative concept which involves, Mr Osbourne suggests, a lot of courage on the part of the developers. They will, of course, participate directly in the profits both in terms of site values and the construction contracts which, it must be assumed, will stay within the consortia. Worries that long-suffering

residents may be squeezed out or simply abandoned to their fate if neighbourhoods are not found to be developable have yet to be confirmed or allayed. One pointer is the number of office or B1 jobs envisaged in spine-related development— 7,700 compared with 1,800 in manufacturing, including high-tech companies. This implies a mismatch between the skills of the past and those needed for the future, whatever training packages emerge. Waterlinks, the first com-

pany formed by the consortium each will have four out of the five developers – has started on a £150m programme for 330 acres bordering the Bir-mingham and Fazeley Canal aimed at creating Im sq ft of low-rise quality B1 offices and 5,000 jobs. A city grant of £6.2m has been awarded to the first development phase of 40 acres. Commercial agents see a ready market at Waterlinks for



Air of confidence: Alan Osbourne, of Heartlands, desperately needs government backing

companies wanting their own premises and parking outside the front door in preference to city centre restrictions.

So long as the overall envi-ronment matches the quality of design and construction, units could fetch close to the figure (currently £20 per sq ft) being asked for prime Birmingham office space. Aston Cross, due for completion in autumn 1991, is already beginning to look a very satisfactory investment.

Waterlinks is not much affected by the spine road, but the Star Site, Mr Osbourne says, emphatically is. This, 80 acres of former power station and gas works close to Spa-ghetti Junction, should form Heartlands key development, a 3m sq f international busi-ness eychange

ness exchange.

It will be pitched at big companies seeking an alternative to the south-east, and is complementary to the city centre. Because of its history, and its physical isolation, the site has few planning constraints. has few planning constraints. This sets the stage for a significant statement to express Birmingham's renewal and its

European aspirations. A competition for concept architects has been narrowed to a shortlist including Arup Associates, Richard Rogers and Skidmore, Owings and Merrill. The rival teams are due in Bir-mingham later this month to see the site and meet the peo-ple. Work could begin on phase one - a 750,000 sq ft wedge as early as next September,

spine road permitting.
There are one or two influen-tial Birmingham voices who query the spine road's need. They say that links can be made to existing routes and the real danger is of destroying developer confidence if road finance cannot be secured. They imply that the road pro-posals have been pursued to

achieve an honourable balance between private and public-sector investment. Without roads, the leverage is 17:1; with roads it descends to 4.5: L

Heartlands' chief executive, Mr Alan Osbourne, does not accept any such analysis. He claims that investor confidence is running high in spite of the uncertainty about the road, that land assembly is working, and that the 10-year timescale set for activities is realistic indeed anything longer would be unbearable.

"I haven't contemplated los-ing the apine road," Mr Osbourne comments. "That, as I said to the judge, is a hypo-thetical question."

Robert Waterhouse

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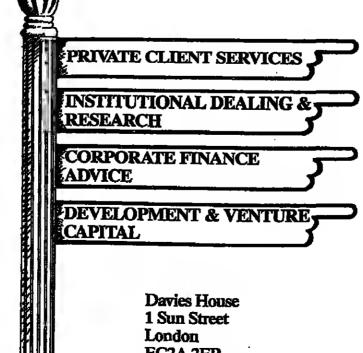
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Nikki Tait questions how long the corporate sector can maintain its growth record

The chill blast of high interest rates

"Come and look at this." Mr Roger Dickens, head of the Birmingham office of Peaf Marwick McLintock, the inter-national accountancy firm, bounces ont of the room almost before he has bounced

in.

He is heading towards a window on the other side of the reception room floor, through which the north-west side of Birmingham and a host or cranes, can be seen sprawling to the horizon. That, says Mr Dickens, pointing enthusiastically, is the area into which the financial services industry in Birmingham will which the linancial services industry in Birmingham will be expanding next — once someone has found a way of negotiating the traffic ladden

While few firms admit to anything other than a healthy workload at present, the overriding question is how sustainable the

current mood of optimism will prove. Already some shifts In corporate activity are discernable

barrier of Great Charles

Mr Dickens is not being entirely fanciful. Wherever you look in Birmingham city centre, either new office blocks are going up or older buildings are being refurbished. The new spece is invariably pre-let, and the clients are heavily derived from the financial services sector.

At Colmore Circus, for example there is a base devel.

example, there is a buge development for the Weslyn & General insurance company -with one of the region's larger with one of the region's larger law firms due to snap part of the space. A hundred yards away, on Mr Dicken's own doorstep, the foundations are being laid for a 136,000 sq ft building, destined to be the new home of rival accountants, Price Waterhouse.

The same story is repeated time and again. And, in the meantime, tenants in the city centre talk of rents doubling in little more than a 12-month

All this is compelling evidence of the region's resur-gence over the past five years, with the professional firms with the professional firms prospering and expanding on the back of a healthy industrial sector. But, as the chill blast from yet another interest rate hike sends shudders threngh corporate boardrooms, the question must be whether — or how long — these good times can last.

The extent to which the West Midlands has fought back from the dark days of the

back from the dark days of the early 1980s is certainly a mat-ter of considerable pride to the local financial services com-munity. The West Midlands International Investment & Merchant Bankers' Association, for example, displays a "fact sheet" boasting that "the largest office of the world'e largest omice of the world'e largest venture capital com-pany", "the largest number of accountants outside London and the sonth-east" and the "top four regional firms of collectors" — Plan and the solicitors" - plus an array of other superlatives - are all present in Birmingham.

More objectively, one might note that thie resurgence appears to have affected different professions in very different ways. Merchant banking, for instance, still has a rather uneasy regional role, with many of the top bid advisers – the likes of S.G. Warburg, Schroder Wagg, Morgan Gren-fell or Lazards, for example showing no interest in tack-ling the provinces on their own ground.

True, the merchant banking arms of the clearing banks have a far stronger presence; all four are represented in Birmingham, while Hill Samuel (which has become part of the TSB) also recently bolstered

its local advisery presence.

That said, there is still a tendency for development finance—the backing of management

buyouts and the like – to dominate. Even Mr Edward Bruger at Hill Samuel, which probably interprets the regional role more widely than some of its counterparts, notes that some 50 per cent of the work has sprung up at this level and only half concen-trated on quoted corporate sec-

In terms of new faces, the most noticeable recent influx has been the Japanese banks. About half a dozen institutions either have, or plan Midlands-based offices.

This however is penalty

This, however, is usually attributed to a desire to service the inflow of Japanese companies in the region, and few of the indigenous players

In terms of new players, the most noticeable recent Influx has been the Japanese banks. This. however, is usually attributed to a desire to service the inflow of Japanese

companies in the region

seem to feel any significant threat from this quarter. Ironically, the other new

ce on the scene is Guinness Mahon, in which Bank of Yohohama has a majority stake. But the bank says firmly that the decision to set up a Birmingham office was taken well before the new

investor arrived.

It would be hard, on the other hand, to decry the regional strength of the legal and accountancy firms although even here there are

While the accountants are dominated by the national firms, the legal community is predominantly home-grown, with the big City names conspicuous by their absence. Indeed, traffic has tended to be in the other direction, with

law firms opening London

Explanations for this vary. One theory is that audit work has spawned national accounhas spawned national accountancy groups; the other, that corporate lawyers are simply slow in following the accountants' path, but that the move to national organisations will eventually prove irresistible.

As for the etockbroking capacity, there are well over half-dozen firms in all. However, much of this concen-

ever, much of this concentrates on the personal investor market and, at the corporate level, Albert E. Sharp —

level, Albert E. Sharp — almost a mini-investment bank in its range of activities — forms the dominant presence. Some professionals also comment on something of a resurgence by Smith Keen Cutler, Sharp's traditional rival. But, while few firms admit to anything other than a

to anything other than a healthy workload at present, the overriding question is how sustainable the recent — and current — mood of optimism will prove. Already some shifts in corporate activity are discernable. Sharp, for example, says that "a lot of new issuee have been pulled — owners have been told quite clearly that they will not get the multiples they wanted?"

the multiples they wanted."
Mr Keith White, running
County NatWest'e Birmingham office agrees that "people are becoming more uncertain." He points to one of their venture capital investments which has had to postpone a planned November etockmarket

launch.
Happily, acquisition activity
has proved more resilient.
Again, Sharp suggests that
having seen flotations account
for 40 per cent of business in
1988, with general M&A work
taking the other 60 per cent,
the split is more likely to be

10:90 in the current year. Nevertheless, it is perhaps better described as a mood of uncertainty rather than impending gloom, and views do fall into two separate cate-

The bear case, which is voiced less frequently, main-tains that West Midlande industry may have recovered from the earlier recession but deep-rooted changes have taken place. If the economy is heading for a couple of grim years, the West Midlands will suffer again and the financial services sector will feel the services sector will feel the

full effects.

The bull case says that, not only has industry adjusted to a certain extent, but that the professions themselves are bet-ter-placed to deal with any

On the industry side, it is pointed out that inflows of overseas interest — primarily

Wherever you look in Birmingham city centre, either new offices are going up

or older buildings are

being refurbished. The space is often pre-let, and the clients are heavily derived from the financial services

sector from Japan and Germany — offers an added stability, and that 1992 may promote this

further. The expansion of the local professions, meanwhile, may have irrevocably won back clients for the region who would previously have taken their services from London. And the point is made that financial services companies can still operate from a significantly lower cost base in Birmingham, which could even seduce customers from the south-east to the Midlands.

There is an element of truth in both arguments, and which scenario develops may owe a good deal to the extent of the threatened recession. But, as one of the bears remarks, a plethora of cranes and new building always leaves one

City affractions; many weature capital funds are keen to ellow their way into the local market

VENTURE CAPITAL

Well-nursed sector commendably self-contained

REGIONAL offices and venture capital seem to have a natural affinity. After all, the business in hand is usually small scale, and — both from a sales and investment viewpoint — local knowledge is a clear advan-

so perhaps it is not surprising to find the West Midlands
venture capital market is relatively well-nursed. It is true
that the supply of funds is
dominated by Si, the national
venture capital company
which has had an office in Birminchen since the early 1950s. mingham since the early 1950s. One competitor estimates that 3i must have been involved with more than 50 of the 120-odd new investments made in

One of the main. criticisms of the industry is whether enough capital is being committed at the start-up level

1968. Seventy, retorts Mr Peter Williams, head of 3t's Birming-ham office, quickly. But in space of this formida-ble entrenched position, there has been no shortage of other organisations keen to ellow-ists the field and offer a groworganisations keen to elbowinto the field and offer a competing local presence. The likes of Lloyds Merchant Bank, County, Barclays Development Capital and Hill Samuel are all active players, not to mention the more-established local stockbroking firm, Albert K.

Sharp. Sharp now runs three venture capital funds — Sumit. Sharp Technology Fund and Sumit Venture Fund One.

In many ways, then, the local venture capital industry is commendably self-contained. Back-up services, in the form of local accountancy and legal professions, are readily available. And it is to the area'a credit that a regional syndica-tion market has developed which means that deals can

effectively by-pass London.
That said, one grouse occasionally raised is that deci-sion-making by local offices is

the nod on significant capital investments has to come from some City-based head office — producing unwelcome delays and uncertainty. It is a point acknowledged by some players, although most suggest that the situation is tending to improve

situation is tending to improve as offices expand and the depth of local expertise is stepped up. Si, for example, maintains that 70 per cent of the business written is approved locally. The other main criticism is the broader one flung at the industry generally. Is enough capital committed at the greenfield or start-up level, or is a dieproportionate amont sucked into relatively safe areas, such management buy-

It is certainly true that the management buy-out phenome-non has been as pronounced in the Midlands as elsewhere. the Midlands as elsewhere. Indeed, given the structure of the region's industry and the pull-back from the early-1980s recession, it is probably fair to say that the West Midlands has seen a disproportionate amount of activity in this area. As for start-ups, some venture capital players will admit that there is a tendency to play safe" — but then invariably defend their own records, pointing to instances when pointing to instances when they have invested at this level. The point is also made that such criticisms are often levelled by those whose plans

Perhaps the only substantial institution to deliberately adopt a different approach is the West Midlands Enterprise Board. It justifiably claims to look at smaller deals that its rivals - dealing in tens of thousands, rather than the 2100,000 plus which others prefer - with the prerequisite that they should be in the

manufacturing sector.
Part of its funds now also come through the West Midlands Regional Unit Trust, an institutionally-held vehicle, and it also advises on three smaller funds for Coventry, Warwick and the Black Country, developed with local

The effect of the high-interest rate climate and the associ ated economic uncertainties are still difficult to assess, Per-haps the most noticeable trends to date are the decline effectively reducing the exit options — and some curtailing of the MBO trend.

Few venture capital firms care to admit that the first development is of much importance; the response is usually either that they are long-term investors or that trade sales are still possible (and from management's viewpoint may be more attractive in an uncertain world). The latter is usu

it is to the area's credit that a regional syndication market has developed which means that deals can by-pass London

ally admitted — but bravely described as a lull, than a dra-matic downturn. "The MBO phenomenon has levelled off," says one firm, "and it may now

says one firm, "and it may now be constant for a year or so." Even so, in a competitive industry, new areas are being pushed to the fore. 3i, for example, is keen to stress its management buy-in pro-gramms. In the West Midlands alone, it has collected some 40 enitable managers, and, together with them, will look for buy-in opportunities. And, in the venture capital

world, bad times do not neces sarily equate with bad news. Pressure on corporate margins can accelerate the spin-off/buy-out process, for exam-ple. One local venture capital group also notes that a crop of potential deals have just come in which, a year or so ago, might well have been "bank-able". Recession may not have arrived, but if it does, this may not be the element hardest hit within the sector.

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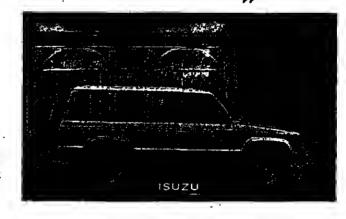
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TOURISM in the West Midlands is partly a matter of

definition. In a region dominated by an industrial past and a commercial present - rather than striking scenic splendours or lavish architectural experience the conventional notions of camera-clinking Japanese or enthusiastic American coach tours are quickly dispelled.

"Tourism," says Mr Ken Jennings, travel trade manager of the Birmingham Convention and Visitor Bureau, "is simply a matter of servicing the business or leisure visitor market."

On this measure, the West Midlands has a certain amount to boast about. Birmingham, for example, is proudly dis-played as the fifth most-visited city in Britain — ranking after London, Edinburgh, Oxford and Cambridge. The National Exhibition Centre says it attracted 3.4m visitors in 1988, a sharp rise on the 900,000 who found their way to the out-of-town site six years ago, or even from the 1.5m who called there

in 1987. Equally, the number of bodies passing through Birming-ham airport has risen from 1.75m in 1984 to almost 2.9m last year, and the planned extensions to the airport promise further growth for the

Such statistics matter. The West Midlands may be Britain's industrial heartland, but the last recession has taught it that the region's pros-perity is not impregnable in the face of serious fluctuations in the nation's economic cli-

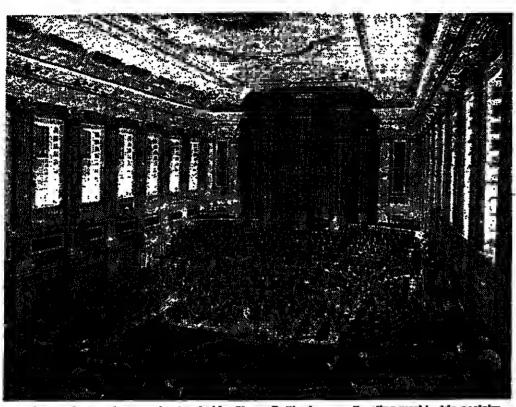
Moreover, the general substitution of capital for labour makes new jobs as valuable here - male unemployment in many part of Birmingham, after all, runs to 30 per cent -as in Merseyside or Sunder-

The number of jobs derived from the tourist industry in Birmingham alone has increased from 68,000 in 1985 to 73,000 in 1988, and is reckoned to rise even more sharply as the new International Convention Centre, together with various satellite developments, come on stream in 1991. Annual visitor spending is put

at a chunky £300m. But selling the West Midlands is not quite like selling Cornwall, say, or Cumberland. Much of the potential market is husiness-oriented — a natural spin-off from the NEC's proven success and, hopefully, to be reinforced by the ICC and

new National Arena. This, in turn, creates its own roblems. It is a striking fact that while average overall Nikki Tait on moves to exploit business tourism

An industrial theme to delight the day-trippers



Birmingham's symphony orchestra, led by Simon Rattle, is now attracting world-wide acclaim

occupancy in Birmingham hotels stands at some 58 per cent, the figure jumps to 74.5 per cent if one concentrates soley on the Monday to Thursday period. At weekends, on the other hand, occupancy slumps back to only 42 per

More anecdotally, locals con-cede that when big shows are under way at the NEC, rooms cannot be found for love nor money in 'the city, and over-spill visitors are directed to the more plentiful supply of hotel space in the vicinity of Lon-

don's Euston station.

Conversely, there is a scheme which allows visitors to stay in some of the area's better hotels at weekends for just £22 a night, including

This weekday squeeze may soon be rectified — at least, temporarily — if the gleamingly incongruous towers sprouting up across Birming-ham's city centre are anything

The impending opening of the ICC has generated a minor boom in hotel buildings, with the likes of Novotel and Hyatt - not to mention a host of others - investing in new

space. Some 3,500 new rooms, it is reckoned, will come on stream between by 1991.

There are gentler initiatives, too. Birmingham has recently "discovered" its old jewellery quarter — one of the few parts of the city which remains largely untouched by the road building or office development

it is, as the name suggests, home to the jewellery industry which grew up in Birmingham, almost as an offshoot of the region's metal trade capacity.

More recently, steps have been taken to renovate many of the old buildings, in particu-lar around St Pauls Square where Guardian Royal Exchange started funding office conversions in 1986. Although the original jewellery

neighbours take in anything from fancy restaurants and wine bars to firms of solicitors.

Even here, however, there is a danger of taking a sound notion to nnfortunate extremes. One official brochure selling the area — "the glory at the heart of England's garden is right here in the Midlands" - talks lavishly about "Birmingham's five quarters - def-initely more than meets the

Not least of these is the so-called media quarter, sup-posedly close to the convention centre site. Yet with Central TV, the regional television channel, and the Birmingham Post & Mail on different sides of town, and many of the PR/ design companies heading for St Pauls Square, this seems, at best, to be a goal for the future

and, at worst, plain fanciful.
But the industrial theme
which runs throughout the West Midlands tourist sector is genuine enough, and one which spills down from the

business customer to the individual leisure visitor market. Cadbury-Schweppes, for example, is due to resurrect in modified form its famed Bournville chocolate factory tours next

These were halted in the 1960s, partly because of the technical changes at the fac-tory and the introduction of tory and the introduction of more sophisticated plant. Now the company is investing in a multi-million pound admis-sion-charging visitors' centre, due to open next summer. There will be displays of the company's history and its products, together with a visitors gallery giving at least a glimpse of the inner workings of the factory itself.

It is a theme echoed elsewhere in the region. Stuart Crystal at Stourbridge, for example, offers a guided tour of its plant, demonstrating the various aspects of glass-mak-ing, as does neighbouring Colo-roll Edinburgh Crystal, better known hy its Thomas Webb

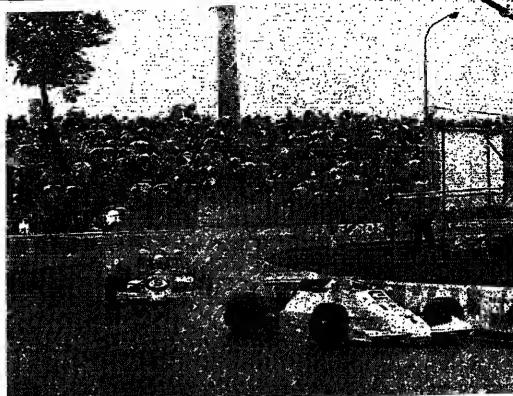
Perhaps the surprise is that more manufacturers, especially those at the heavier end of British industry, have yet to see the publicity benefits of

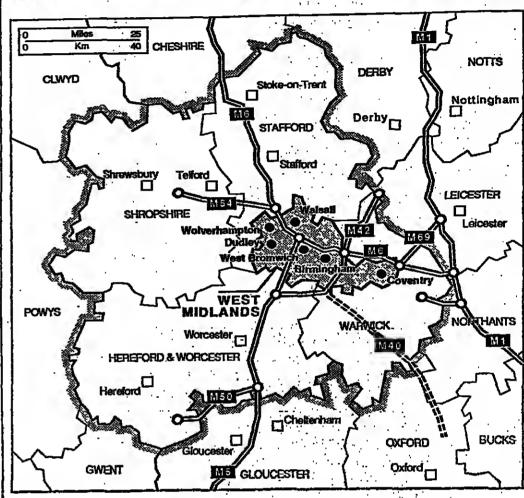
The BCVB says sadly that while visits to the region's motor plants, for example, can sometimes he arranged for business customers, there is no such facility for the general

The cultural attractions of the area are less easily sung. It may be a fact that Birmingham Art Gallery has the finest collection of pre-Raphaelite paintlection of pre-Raphaelite paintings in Britain, that Sadlers
Wells is relocating to the city,
or even that Sarehole Mill,
rebuilt in the 1760s and now
restored to full working order,
is said to have inspired the
young J.R. Tolkien towards
Lord of the Rings, but even the
region's most ardent enthusiasts would have difficulty pretending that the cultural mertending that the cultural mer-its of the region rival those of Milan/Lombardy, say, or Ton-

In fairness, many locals recognise this. "We have to sell to our strengths, and that's the activity which is going on here," says Mr Jennings, reeling off attractions like the recent Ryder Cup and the new-ly-rehoused Crufts Dog Show.

And it might be fair to add that such entertainment is dished up in far more relaxed surroundings than Britain's first city ever permits. Bir-mingham taxi-drivers even apologise when they hit a traf-





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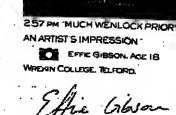


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British companies are rushing to

acquire a foothold in Europe as interest in advanced distribution

techniques spreads. Regulatory difficulties remain, and adaptability to local conditions may be crucial in a market which will not be easy to crack. Kevin Brown reports

The road to integration

will not be easy.

The opportunities are clear, and they flow from the proposed completion of the Euro-pean Community single mar-ket in 1992. Given the magnitude of the task, there is central stockholding facilities. magnitude of the task, there is much scepticism within the industry about whether the process of integration will be achieved by the target date.

Many leading industrial comments with a such as Philips, the

tion that the main issue is the political commitment to integration, rather than the pace of bureaucratic progress towards regulatory reform.

The distribution industry will benefit in a number of managing director for corpo-ways. The most obvious is cost rate forwarding, says the group savings from the deregulation of transport movements, which will improve profitability and lower entry costs.

The boost to the European economy, delivered by removal of barriers, will be an important source of new business

Significant progress has been made towards liberalising the Community regime for lorry movements. Progress towards the introduction of cabotage (operations within one Community country by a haulier b ed in another) is

likely to take place shortly. Mr Paolo Cecchini, in his seminal report to the European Commission on the implications of market integration, estimated that a similar pro-gramme of deregulation of the trucking industry in the US had reduced the direct costs of vehicle movements by 10 per cent. The report estimated the potential savings to European operators at 5 per cent, although this is regarded as conservative.

However, the boost to the European economy which will be delivered by the removal of frontier and other barriers will be a more important source of new business than changes in

the transport regime.
This will work in two ways First, there will be a general stimulus to demand estimated by Mr Cecchini to be equivalent to an increase in the Com-munity's potential economic growth rate of 1 per cent a

THE DISTRIBUTION industry remains highly optimistic about the prospects for expansion in Europe, but it is becoming increasingly obvious that manufacturers and retailers to the development of the market treat the Community as a single-

This implies an accelerating trend towards a smaller num-

panies, such as Philips, the Dutch electronics group which is the world's 22nd largest company, are in the process of rethinking their distribution

Mr Dirk Goedhart, Philips' rate forwarding, says the group is closing some of its 200 facto-ries and 75 distribution centres in Europe to reduce product lines and inventory duplica-

Alongside this simplification, Philips wants to move towards smaller shipment sizes and more frequent deliveries, shorter lead times, and more door to door distribution.
These are areas in which the

relatively sophisticated UK distribution sector excels, but there are a number of clouds on the horizon. The first is that it is not clear how far the vision of companies such as Philips will be shared, particularly in the retail sector.

One of the principal reasons for the rapid development of the UK distribution industry has been a reduction in the number of retail outlets, particularly in the grocery sector.

As a result, the multiple stores which control more than 70 per cent of the British market have in many cases become more powerful than their suppliers, and have been able to take control of the supply

capital investment required for large central ware-housing and transport fleets, together with the need for skilled logistics management and complex information technology eystems, created an opportunity for specialist com-panies to step in to handle the multiples' distribution require-

The multiples also had a strong industrial relations motivation to contract out, especially in the climate of the late 1970s and early 1980s when specialist distribution companies were establishing them-



Marks & Spencer's distribution in France is handled by Exel Logistics and Fashionflow

DISTRIBUTION **SERVICES**

Contracting out meant that the problem of dealing with highly unionised transport workers was passed to some-one else, and separated from the largely non-union retailing

At the same time, many manufacturers found that their in-honae . distribution operations were no longer via-ble, and withdrew from the industry to concentrate on core activities in production and marketing. Many companies moved to

contract distribution to obtain

off-balance sheet financing as a eans of increasing their rate of return on capital employed. Many of the se consideration do not apply to the continental European market. For example, the preponderance of loan capital rather than equity in West Germany means that Ger-man companies are less con-cerned than their UK counter-

parts about return on capital, and therefore less interested in off balance sheet financing. West German companies are also inclined to keep control of as much of their operations as possible, including transport fleets and other ancillary servicee euch as cleaning and

Equally, there is less incentive for companies in many continental EC countries to contract out their distribution operations for industrial relations reasons. Labour relations on the Continent tend to be less confrontational than in the UK, and workere' rights are often enshrined in law.

However, the large con-

straint on the growth of contract distribution is likely to be the relatively undeveloped nature of multiple retailing in much of Europe.

A recent survey carried out for NFC, formerly the National Freight Consortium, indicated that retail multiples have only 50 per cent of the grocery market in West Germany, 45 per cent in France, 41 per cent in

Spain, and 13 per cent in Italy. The proportion of the distribution market accounted for by third party operators is correspondingly smaller: about 70 per cent in the UK, but only 15 France, less than 2 per cent in Spain, and none at all in Italy.

There are other problems too. Where, for example, are distribution companies to find multi-lingual managers capa-ble of running the complex logistics operations which will be required from regional warehouses supplying several

NFC is showing the way here by recruiting management trainees in continental Europe. But this is bound to be a slow process, and will need to be followed by other compa-nies if a cadre of logistics managers with a pan-European business culture is to be cre-

There may also be technical problems to be overcome, espe-cially for those companies specialising in distribution of industrial products such as chemicals and other bulk com-

This is clear from the results of research carried out by the than 60 top manufacturers throughout Europe showed clearly that British companies would have to offer more than just competitive pricing to win

Quality assnrance procedures, safety record, electronic data interchange capabilities and integrated support resources were listed as being equally if not more important than price, Mr Boddington

For all these reasons, devel oping the European market will require determination, and possibly deep pockets, as well as the expertise which UK companies have shown in the domestic market.

Many companies, such as Wincanton, Rockwood, P & O European Transport, Christian Salvesen, TNT and Federal Express have already taken the plunge by acquiring small European companies around which to base a Continent-wide operation. But others have been more cautious, wary both of committing resources too quickly, and of the variable quality of some of the target

The distribution industry will benefit from the increasing demands to treat the

Community as a single market

companies which are available. For example, Exel Logistics, the distribution arm of NFC, has only recently turned its attention to Europe following rapid expansion in the US, including the recent acquisi-tion of Distribution Centres International

NFC, of course, had a somewhat bitter exposure to continental Europe some years ago when it was forced to pull out to end mounting losses. But the serious purpose with which Exel is pursuing its European strategy was spelt out by Mr Robbie Burns, Exel managing director, when he announced the appointment of Mr Mark Bedeman as full-time European development director.

Mark'e European development role becomes even more important after our recently announced acquisition of DCI in North America to make us the largest operator in the US,° Mr Burns said. "We must now achieve similar critical mass in Kurope before 1993, Mark'e role is vital to the success of our plans to become a leading world logistics player during

Transport Studies Group of the Polytechnic of Central London, and released this month by Tankfreight, the UK's largest third-party distributor of bulk liquids, powders and gases. Mr Bedeman himself says the company has only just begun looking for acquisitions after completing a long period of research, and stresses that it is still considering the options

Mr Mike Boddington, Tank-

freight'e European director,

said the group's survey of more

carefully. "We are not going to pay a lot of money. Wa are looking for small companies that we can develop, and we are approaching this with a great deal of caution. We are not going to be rushed and we are

not going to make mistakes," Mr Bedeman says. Exel is also seeking to develop organically in continental Europe by encouraging companies to see the advantages of contracting out. Not surprisingly, the first breakthrough was with Marks and Spencer, a British company with which NFC works closely

in the UK. Until September, M&S served its eight French stores from its own warehouse in Aulnay, near Paris. But distribution is now handled by Exel and Fashionflow, another NFC

company, from a composite warehouse et Evry.

Talks are going on with several West German, French and Spanish companies, but so far only one firm contract has emerged—hendling distribution. emerged – handling distribu-tion for Galerias, a leading retail multiple with 30 depart-ment stores throughout Spain.

Mr Tom Brown, Exel'e planning manager responsible for project co-ordination, says the panish market offers tremendous potential for expansion.

There are some areas of business with no distribution experts as we know them -especially in the central regions. As the economy grows and Europe deregulates, the demand for services such as ours will increase dramatic-

ally."
This judgement is almost but most certainly correct, but most commentators agree thet it will be essential for companies to remember that wide cultural differences will remain in Europe even after 1992.

Mr Reg Bailey, the partner responsible for distribution ser-vices at Peat Marwick McLintock, the accountants and management consultants, goes further. He says development atrategies must not attempt growth by ignoring existing operating practices.
"It has been said that after

1992 Europe will be considered as a single market, just like the US. But within that market there will still be national and regional differences in tastes and customs. So just as compa-nies should not try to attack the whole of the US at the same time, it is worth remem-bering that Europe should be looked at in the same way," Mr

Bailey says.

Take any marketing effort, it should be focused. Companies will need to identify specific areas for development in Europe. To develop those areas, knowledge of the market and strong local management

CONTENTS

Express and courier companies; Road transport restrictions; The big trailer is coming



The role of the consultant



Railfreight; Red Star

Training; British Standards Institution

Editorial production:

According to Mr Balley, the most successful companies, at least in the short term, will be those which find ways of controlling the existing distribu-

tion system rather than trying to change it. "For example, it will still be necessary to sell via a whole-saler if one is seeking to penetrate the West German electrical market. However, that German wholesaler may not need a regional distribution centre in each country, but may in future prefer to operate from a northern and southern European distribution centre.

"The point is that if the dis tribution channel is to be changed, the change will come from within the market, with local people operating the domestic eystem within the framework of a strategy that has been formulated interna-



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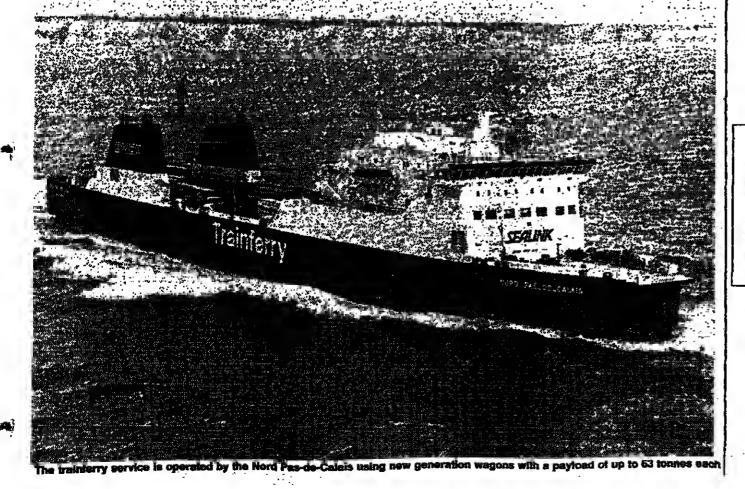
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SETTING THE PACE IN TRAILER RENTAL

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Express and courier companies are in demand

Shippers look for high control levels

suitable for freight.

The reason is that more companies are starting to ship their goods as single items rather than in bulk - as part of a strategy to cut their inven-tories. If individual parts are delivered just moments before they are to be used, a company will save money spent on stor-age as well as freeing capital which had been tied up in

However, businesses which follow this "just-in-time" strategy leave themselves vulnerable in the event of a lost or delayed consignment. Express and courier companies on the other hand better the bard when the degree of the course of the street of the st other hand, have such a degree of control over each shipment that they can offer the service

these shippers require.

The largest express companies such as DHL, Federal Express and TNT own world-wide networks and operate their own airlines and fleets of vans. Smaller express opera-tors may not have such an extensive network but they can still keep their hands on a consignment right through from collection to delivery because they specialise in a particular route or market segment. "Our customers are buying reliability not express," says Mr Brian Fitsall, manag-ing director of DHL's UK

operations.
Mr Paul Meierhans, logistics and customer service manager Europe at Du Pont de Nemours, a multinational which spends \$50m a year on express services, emphasises that his company can only reduce stocks if it has reliable deliv-eries; "We look at express as an exceptional and special service which we use to cover up problems in a similar way as we use inventories to cover up

Cargo carriers admit that express companies have redefined the airfreight market. "It's no longer a question of weight and price," said one air-line cargo manager, "it's an issue of convenience and reliability." Airlines are fighting to claw back market share. Many offer what they call an express product. But they rarely control shipments all the way from door-to-door and usually hand over the shipment to another party, such as a freight forwarder, at some stage in the delivery.

The airlines still believe they can compete effectively in this market because income from passengers gives them a lower cost base than the express companies. However they have lost a lot of ground in a short time. American Airlines calculates that freight forwarders had an 8 per cent share of the US fast parcels market in 1988, down from a level of 94 per

cent in 1978. XP Express Parcel Systems, a division of the Australian express operator TNT, has esti-mated that 60 per cent of its UK business comes from sonrces that traditionally

WHY SHOULD a transport would have used freight for-service which was originally designed for documents, be company predicts this proportion will rise to 80 per cent.

It is the Japanese who have been leading this trend for reducing inventories. According to Mr Patrick Lupo, chief executive of express company DHL, a typical Japanese company takes two months to manufacture and despatch an order whereas an American or European company takes three times as long. For every day of time saved in this way, a com-

pany can reduce it s working capital accordingly.

Mr William Wheeler, a logis-tics consultant who is partner at the Boston office of Coopers & Lybrand, the accountants, says lead times in some cases have been brought down to the order of minutes. He cites the example of AT&T which used to take a total of 16 days to manufacture a telephone at its

Large express companies own global networks with airlines and fleets of vans

Louisiana plant. It now takes one hour and 20 minutes. High-tech companies have been among the first to use express services as a means of distribution. They generally have the most to gain because their products are high in value yet are low in weight and easily transportable. Fashion retailers also benefit. They do not carry high stocks of clothing which could easily become obsolete if fashions

changed.

Data General, minicomputer manufacturer, is one example of a company which recently introduced a distribution strategy made possible by the services of an express operator. Within eight months it had cut stocks held in Europe and the Middle East by a third which

saved millions of dollars.

Data General is based in the US but it needs stocks of spare circuit boards close to its European customers in case a machine breaks down. A delay in carrying out a repair could cost a user, such as an oil com-pany, millions of dollars a day in lost production.

To support its field service organisation, Data General has to carry a large number of different types of circuit boards. Until three years ago it held this stock, worth \$18m, in a Frankfurt warehouse where it employed 130 people. The com-pany realised this was highly inefficient. The central stock was always in the wrong place and had to be handled twice on its journey between factory and customer. In addition, the warehouse was bonded, which added a heavy administrative

Data General at first tried holding its stock in its US plants which was then shipped directly to its 14 subsidiaries in Europe and the Middle East.

most of its staff with specialist shipping knowledge when it shut its warehouse. As a result many shipments were lost or delayed. It became necess to order three weeks in advance and in one year inven-

tories rose by 25 per cent.
Eventually, Data General
decided on a distribution strategy in which a low level of
stocks were held by each subsidiary. It developed a computer program which could search every inventory in a matter of 20 minutes to locate the nearest source of a particular spare part. The computer

Data General's European logistics manager, Mr Christo-pher Gilbert, reviewed tenders by 20 large freight companies who offered to provide the transport end of the operation. In the end he decided that only express companies offered the services he needed, and he

then automatically gave an order to replenish stocks.

chose DHL.
Mr Gilbert was looking for a carrier which could make fast deliveries. But, just as impor-tantly, he required a carrier who could deliver a package from door-to-door and guarantee the delivery time. This way he could have enough confi-dence to operate with minimal stock levels. He knew that the savings possible would more than justify the cost of a very reliable delivery service. "There's so much margin in this equation," he said. To emphasise this, Mr Gil-

bert once brandished a cheque for \$40m in front of an audience of executives from express companies. He told them: "Think service, not cost. It is immaterial whether you charge \$100 or \$1,000 per shipment. Nor does it really matter if you lose the board, so long as you recognise the fact and

Some express operators have started to tread on the toes of traditional distribution companies. Many operate central parts banks near their hub on behalf of customers.

Federal Express set up Sys-temline, a contract distribution division in the UK in 1986. Systemline now has 30 contracts and is expanding onto main-

land Europe. In November 1988 Systemline took over UK distribution for Motorola, a semiconductor manufacturer with four factories dispersed throughout Europe. Federal Express has connected its computers to Motorola's so its customer can track the path of each consign-

Shipments are collected from Heathrow at 5 am. These are taken to Systemlina's warehousing in Northamptonshire where they are consolidated and delivered the next day. By introducing this distribution ystem, Motorola reduced transit times. "Time is money in terms of stock," commented Mr Herman Ebner of Systemline.

Phillip Hastings examines the uncertainties about road transport restrictions

Weighty problem of size regulations

THE CONTROVERSY over the maximum size of lorry which should be allowed on UK roads highlights the increasing complexity of modern day distribution operations, particularly those involving European

international transport.

In theory, the advent of the single internal market should single interial market skelled help to simplify distribution activities by standardising equipment requirements, abol-ishing restrictions such as the quota systems for transmitting road vehicles imposed by some European countries and generally reducing barriers to trade.

ally reducing barriers to trade.

In practice, the run up to 1992 is causing even greater confusion for users and providers of distribution services as they struggle to work out exactly how regulations will be changed and when.

The problems were summed up by one of the contributors to the NFC Contract Distribution (now Exel Logistics) report for 1989 which looked at the general subject of managing the European eupply chain.

in theory the single market should help to simplify distribution activities

"In physical distribution terms, we welcome the inten-tion to allow free movement of vehicles within a substantially deregulated market. However, we ask how can we plan now with precision tha necessary logistics resources when we are blind to the legal and administrative regime we face?" the contributor asked.

Examples of areas of uncertainty on the road transport side include the question of whether advent of the internal market will make it possible to completely liberalise such operations. Will national interests, for instance the UK's opposition to 40 tonne trucks, make that impossible? And what will happen to pallets because the UK is on a different pallet size to most of

In the former context, recent moves by the Commission to put a time limit on the derogation which allows the UK to retain 38 tonnes as the maximum weight for commercial vehicles on its roads highlight two contrasting aspects of the drive to harmonise and liberalise European road transport

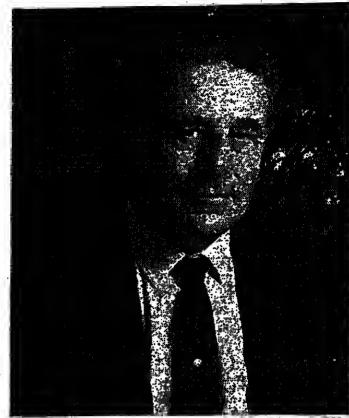
On the more positive side, the latest EC moves show that some progress is being made towards establishing a common road transport policy throughout the Community. Less encouragingly for distri-bution service users and oper-ators is that the 1999 date being mentioned as the dead-line for changes in the UK shows that achieving all the objectives of EC road transport policy looks certain to take considerably longer than the next four years or so. The 38 tonne limit on articu-

lated vehicles in the UK and the Republic of Ireland puis those two countries out of step with all EC countries where the maximum gross weight is generally 40 to 44 tonnes. The limit of 32.5 tonnes for drawbar units in the UK and Ireland is even more out of line with the rest of the EC where again the maximum weight allowed varies from 40

Not surprisingly, freight transport operators are keen to see the UK move into line with its EC neighbours as soon as possible. That point was emphasised by the Freight Transport Association when it responded to news of the UK. Government'e continuing opposition to the early introduction of a 40 tonne limit. This stance apparently prompted by general environ-mental considerations and the need to strengthen many bridges to take heavier vehicles.

"We and the European Par-liament argued for parity with the rest of Europe by 1988. The Commission proposed 1996. Never, never did we expect 1999. By that time, with 40 tonnes, we could have had between 5,000 and 6,000 fewer vehicles on the road to do the same amount of work," com-mented Mr Tony Stanton, FTA president, when he opened the association's 1988 conference in Torquay in September. The UK distribution indus-

try was pleased by tha announcement that the Government has decided to allow 13.6 metre semi-trailers to be as international operations from January 1, 1990. This is a



Tony Stanton: argued for parity in 1993, did not expect 1999

from January 1, 1990. This is a year earlier than planned.

The present limit is 12.2 metres. The limit for articu-lated vehicles incorporating trailers will also be increas from the same date to 16.5 metres. The decision to bring forward the changes should make it easier for road transport operators to go ahead and

The quota system, argue opponents of the idea, allows states, such as West Germany, to protect national interests while other countries adopt a more liberal attitude. Similarly, a number of EC countries are reluctant to move rapidly towards liberalisation of cabotage - where non-resi-dent hauliers carry out national transport operations

In practice the run up to 1992 is causing even greater confusion for users and providers of distribution services as they struggle to work out how regulations will be changed and when

The UK is ahead in other areas of road transport operation. The transport market in the UK is, for example, com-pletely deregulated, contrasting with the more controlled markets of countries such as West Germany. In that context, much work still has to be done to sort out the question of road transport permits which allow hantiers to openate internationally.

within other EC countries. That development, claim organisations such as the FTA. would improve efficiency and heighten competition among transport operators. The FTA suggested that in order to make progress on cabotage, moves should be made towards bilateral arrangements between different states in advance of cabetage liberalisa-

tion on a Community-wide-basis. The suggestion comes

against the background of growing fears in some quar-ters that the single market will cause upheaval in the European road haulage indus-

try. Supporters of that case claim that up to 30 per cent of the international haulage trucks seen on continental are travelling to or from markets where they do not have

licences to operate.

After 1992, restrictions on where haullers can operate in the Community should be the Community should be removed. That, some observers fear, will almost certainly lead to over capacity in the European haulage industry, with falling rates and many chinganies going out of business. The Commission is trying to get European governments to issue more haulage licences each year in the run in to 1992 each year in the run up to 1992 in a bid to make the changes more gradual.

Where does all that leave manufacturers and other organisations looking to move goods by road within the EC? goods by road within the EUT increasingly, it appears; they will opt to hand over such problems and the general run-ning of road transport distri-bution activities to third party specialist contract distribution companies and then jointly devalors magnations from these develop operations from there in conjunction with locally based organisations in the

countries concerned.
Uncertainty over future RC market and legislative requirements looks likely to further accelerate the growth of European road transport equip-ment rental and leasing over the next decade.

TIP Trailer Rental argued that where there was change and uncertainty, there would be opportunity for rental, adding that "depreciating sets in an uncertain world did not make commercial

There were signs, the company said, that countries would continue to favour indigenous manufacturers and operators. "While some countries are struggling to catch up-to the EC proposals, others are pushing the boundaries fur-ther in terms of higher weights and longer lengths. The result will be a series of bilateral and trilateral agreements between various member states."

Lönger vehicles will soon arrive in Britain. Anne Hunter assesses their impact

Bigger trailer pleases rental sector

THE UK Government's recent lift systems with roller bed decision to allow articulated vehicles up to 16 metres in length on UK roads from January 1, 1990, will have a signifi-cant impact on this country's trailer industry and transport

operators.

For box trailer operators carrying dry goods such as food and parcels, the additional length will bring a 12 per cent increase in cubic capacity (cube) representing a consider-able gain for this type of operator who, on current trailer lengths, generally tend to "cube out" (fill trailer space) before reaching the legal

Demand for the extended length trailers from this sector is likely to be high and in anticipation of the legislation which will bring the UK into line with Europe, manufactur ers are geared up to meet the technical requirements.

trailers however, could increase the level of obsoles-cence in the fleets of the large trailer rental companies although neither of the two European market leaders, TIP and Tiphook, appear concerned about this.

Conversely, they view the planned legislation positively and believe that it will stimulate trailer rentals. Central Trailer Rentals (CTR), Tiphook's trailer rental division with 17,000 trailers, says that the length extension proposal has brought "a surge of enquiries" from hirers.

Tiphook believes that immediate demand for longer trailers will be tempered by the continuing restriction on weights in the UK where the 38 tonne limit is being retained until 1999. In spite of pressure from the

transportation industry, the Government said that it would not introduce the 40 tonne limit, legal in most of Europe, into Britain until 1999. At BRS just one year after its move into trailer rental, the

company is planning to invest a large proportion of its budget into longer trailers. The company has concentrated on niche marketing and targeted specialist areas such as oil con-struction, petrochemicals and construction with investment into tanker trailers, tippers and extended trailers.

An investment of £100,000 was laid out for two specially designed trailers for the carriage of B747 air cargo containers. They are equipped with automatic loading and scissor

flooring and are considered by BRS to be the most expensive pieces of equipment on the

trailer rental market today. There are some 500,000 trailers on European roads of which about 80,000 are on contract hire rental. TIP pioneered trailer rental in Europe in 1966 and a year later in the UK. TIP's 18,000 trailer fleet represents 25 per cent of the Euro-pean trailer rental market.

While manufacturers have seen a downturn in truck and trailer sales in the UK over the past three months, any implied reduction in road transport

TIP and Tiphook feel the planned legislation will stimulate trailer rentals

activity has yet to be reflected in hirings at TIP which has expanded its fleet by 80 per cent in the past 18 months and has enjoyed high growth dur-ing 1989.

The company believes that uncertainty in both the future of the economy in Britain and in the timing and extent of the legislative changes anticipated in the build up to 1992, are likely to stimulate increase growth in the buoyant trailer rental industry. Companies will choose to rent rather than make the capital outlay for purchase in these uncertain

Meanwhile, changes in accounting and taxation procedures in recent years have increased the appeal of rental over purchase.

In the past, with 100 per cent capital allowances for purchased assets, there were strong arguments for trailer purchase. Since then, allowances on purchased goods have been reduced to 25 per cent and trailer rental became the new, cost effective choice for many transport operators.

Mr Jim Cleary, TIP chair-

man, is bullish about the bright future for trailer rental and for TIP after 1992: With our 20 years of experience we have become more certain of our business at a time when our customers will be less cer-tain of theirs and this itself will lead to more rental than

purchase," he said. The TIP confidence in the future of the industry is confirmed by an independent sur-vey of the European trailer market which indicates that between 10 and 12 per cent of all trailers in Europe, will be rented by the mid 1990's.

The company forecasts that trailer rental growth over the next five years will be between 15 and 20 per cent. "The pro-portion of trailer rentals in Europe could be as high as 30 per cent by 2000, which would bring European trailer rental usage levels into line with the

Recent trailer design and manufacturing developments which improve reliability and increase efficiency, include air

This is being adopted by more companies particularly in Europe where certain governments offer tax conces the installation of air suspen-sion because it is more road friendly" than traditional suspension systems.

The search continues for alternative spring and spring arm materials with carbon fibre emerging as a likely material for future use. Braking performance attracts con-stant attention. Anti-lock systems are commonplace while disc brakes on trailer axles are under examination.

Trailer design is no more critical than in food operations and the design of temperature controlled vehicles. This group has been subject to growing pressure for design improvements and greater control, with growing incidence in the

BRS is planning to make a large Investment Into longer trallers

number of salmonella and listeria outbreaks. in advance of the food contamination alarms this summer. BRS in May became the first trailer rental company to instal ozone generators into their refrigerated trailers, known as reefers.

The generators emit small quantities of ozone into the refrigerated compartment where it kills any airborne bacteria such as listeria and sal-The Ministry of Agriculture

Fisheries and Food (MAFF) is looking at legislation for a greater isolation between temperature controlled products. There is a move underway to separate chilled produce into two types demanding two different temperatures rather

ferent temperatures rather than one temperature for all chilled goods which is accept-Christian Salvesen, the Euro-

pean market leaders in temperature controlled distribution, operates single and multi-tem-perature controlled trailers with services tailored to the specific needs of large retailers such as Marks and Spencer, ASDA and I Spinchory ASDA and J Sainsbury.

The company believes that further isolation of tempera-

ture controlled produce coupled with the trend towards regional distribution centres, will give rise to an increased demand for multi-compartment temperature controlled trailers.

The most significant and still unique innovation on this front in the UK came three vears ago with the launch of ix Pak, the multi-temperature joint venture product of Tidd Strongbox and Glass Glover Distribution.

Six Pak offers six lanes each with their own independently controlled temperature so that chilled, frozen and ambient produce can all be carried on the one vehicle. Loading and unloading of the roll paliets is computer controlled by the driver who has use of an auto-mated lift.

Littlewoods Stores have been Six Pak's first large customer

and that company is committed to increasing its use of Six Pak vehicles and other large food retail chains are showing

A Mark Two Six Pak model

is on the market. Mr Neil Dick, Managing Director of Tidd Strongbox, said it reflected the operating experience gained with the prototypes and incor-porates a more efficient refrigeration system and a greater computerised control facility. In the UK, three main manufacturers retain a combined 75 per cent market share of the trailer industry. They are Crane Fruehauf, York and Carry Master. Their European counterparts include Van Hooi in Holland, Lamberst and Trailor in France, Schmitz, in West Germany and Fruehauf, proba-bly the largest European

trailer manufacturer. Applied technology is an integral part of trailer manufacturing following the innova-tions of companies such as Crane Fruehauf which pioneered the introduction of anti-lock braking systems as standard on all its products, the first use of robotics within the manufacturing process and the introduction of comprehensive computer-aided design

However, skill in design engineering and manufacturing is only a part of any successful trailer manufacturer's total service. Outlining the Crane Fruehauf approach to customer needs, Mr Barry Fiske, sales and marketing director, compared the situation 20 years ago when trailers were hand-built with components tailored to the individual unit. It was virtually unheard of then, said Mr Fiske, for big parts to be ordered as replace-

back up support systems are TIP pioneered traller rental in Europe in 1966 and a year later

in the UK

Today, parts supply and

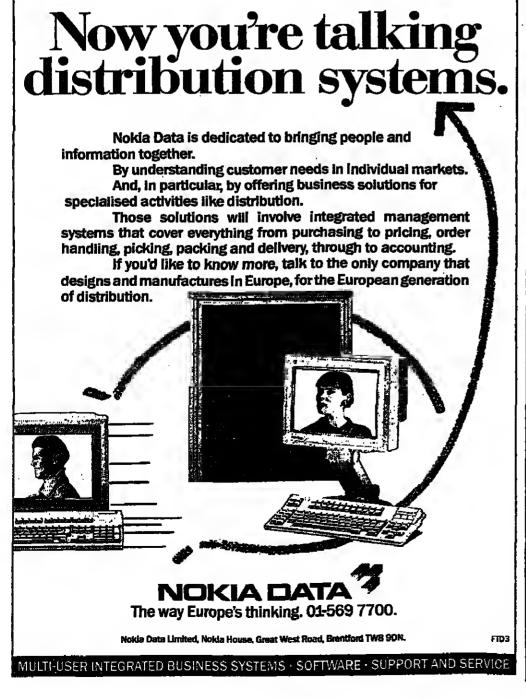
essential to ensure that operators can keep their fleets up and running cost effectively.
"We now have computerised parts systems and flow line production offering genuine replacement parts from main-beams to header rails to body panels, all of which can be ordered from a part number," says Mr. Fiske.

in the UK, Crane Fruehauf has established a network of 12 branches to cover the country with a before and after service. A fleet of fully equipped and stocked parts vans provides a scheduled visit to all customers as well as providing a 24hour emergency service for components when vehicles are

The company has a network of over 400 service and parts facilities throughout Europe. While maintaining the highest possible standards in trailer design and manufacture, it is the value added service aspects that Crane Fruehauf believes will give it the leading edge over cheaper, foreign trailer

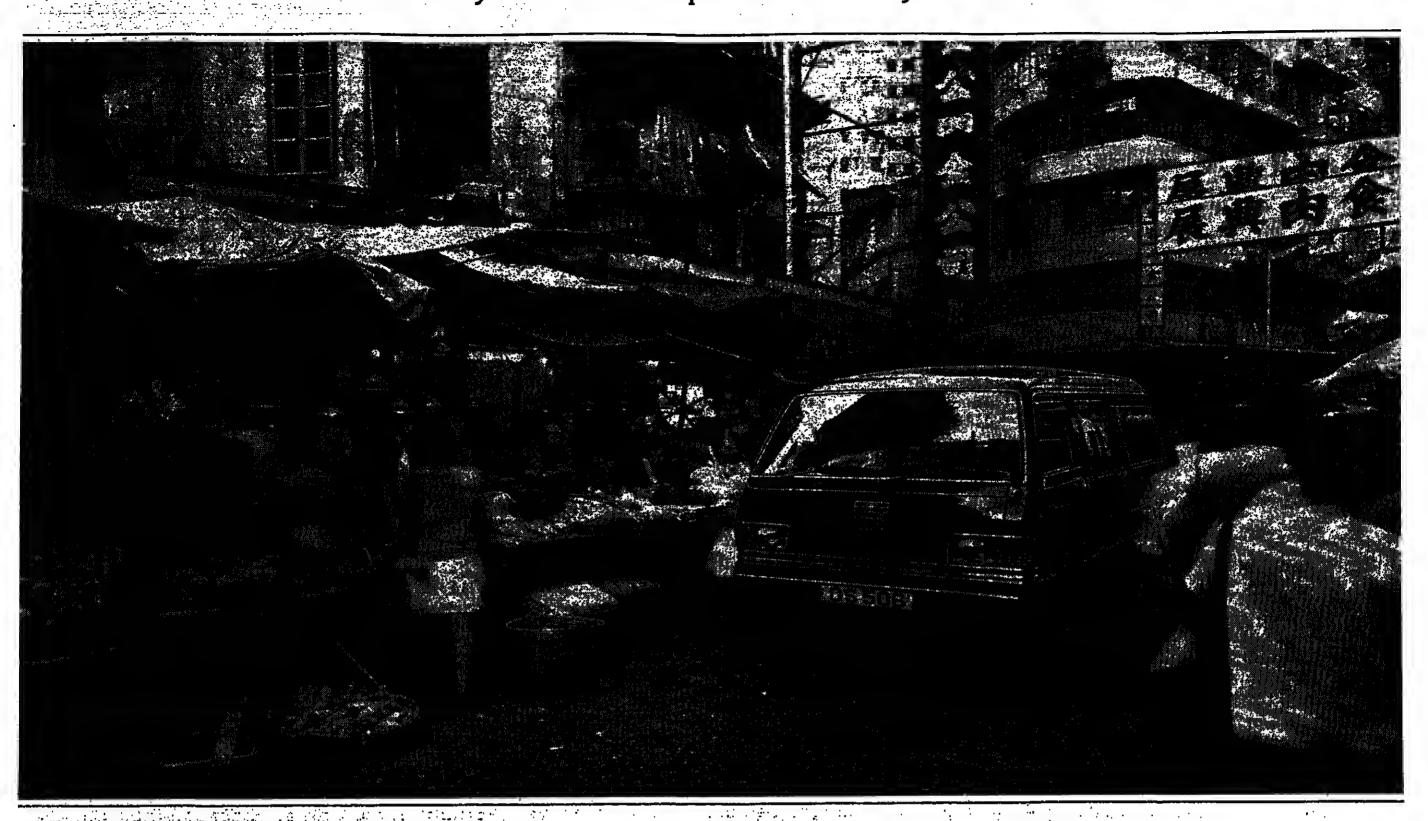
According to Mr Fiske, many of these imports are manufactured with the help of government subsidies: "They are shipped to the UK often across thousands of miles, and offered for sale at prices well below

what UK producers can manufacture for," he said.
But there is often no back up for these products either in parts, maintenance or warranty. What may seem a bargain at may turn out quite the opposite when it comes to eeping it working.



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Demise of the middleman system

THE FAST changing face of the UK freight forwardsrs industry was highlighted in July when the trade organisation which traditionally represented the industry's interests launched a new identity and expanded membership structure.

ture.

The former Institute of Freight Forwarders has now become the British International Freight Association (BIFA) as old demarcation lines between the various sectors of the freight and distribution sectors rapidly disap-

peared.

Membership qualification has been widened to include all companies involved with the movement of freight who meet specified criteria for ordinary or registered trading membership. As a result, BifA hopes to double its professional membership from 4,000 to 8,000 individuals over the next two years and increase corporate membership from about 570 to 1,000.

The advent of BIFA is in part a reflection of the fact that old style freight forwarding, where the forwarder functioned as an agent booking transport and handling documentation for customers, is being overtaken by the worldwide trend towards more sophisticated distribution and logistics management systems. Customers increasingly want more than what was in many cases an agency middleman

service.

Mr Jim White, BIFA director general said: "The future of the freight forwarding industry is secure provided that service companies can deliver value added benefits for their customers over and above the straight transportation of their goods.

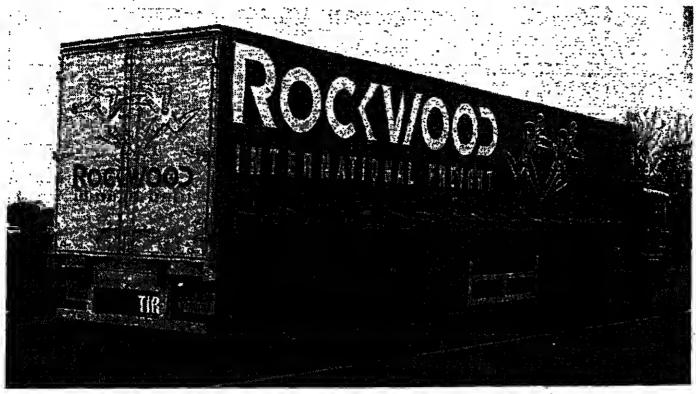
goods.

"Areas included in that category are full distribution capability on a floor to floor basis, inventory control, order picking, etc. plus the application of EDI (Electronic Data Interchange) technology to provide consignment status reporting to meet the requirements of Just In Time distribution

systems and so on."
To belp members develop that EDI capability, RIFA has launched Freight Forwarders Network (FFN), a system which should enable members to become fully functional for RDI at a cost of hundreds of pounds rather than thousands.

pounds rather than thousands.
The system has been developed in conjunction with Export Network, an information technology services company, to offer both store and retrieve mailbox facilities and a store and forward option. FFN system users will be offered software which will enable them to send and receive EDI messages. This will include, it is planned, communication with their overseas agents and partners via the SITA network, which offers dataprocessing to the airline

This system will enable smaller forwarders to compete in the international arena at reduced costs. "That is important when you consider that 50 per cent of our members employ 10 people or less," commented Mr White.



Rockwood International Freight: wants to offer a complete distribution chain from coffee beans in Brazil to UK supermarkets, in the Netherlands: Nedloyd operates 260 trucks and 400 trailers



While on the one hand the need to find the resources to support information technology development is posing a threat to many smaller or slower moving forwarders, the advent of that technology is creating the opportunity for some well organised mediumsize operators to compete successfully with the very large multinational organisations.

By developing information technology systems which link in with those of their overseas agents and partners, the medium-size companies should in theory be able to offer virtually the same levels of control and information reporting as larger forwarding groups with their own worldwide network of offices.

"It is not good enough that we can send telexes to each other via our screens and transmit documents by fax. The challenge is to have mainframe communicating with mainframe," said Mr Philip Stephenson, joint managing director of Davies Turner, one of the UK's leading forwarding

Not surprisingly, Mr Stephenson and other forwarders see the planned single market as another large threat and opportunity for freight for-

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warders. Already, they point out, the pace of mergers and acquisitions has accelerated as the multinational groups fight to set up continental networks.

The traditional freight forwarder whose main services lay in handling export and import documentation as much as in physically transporting the goods is threatened by the growing liberalisation which will change customs clearance procedures and the profits to be derived from them, claimed Mr Stephenson.

Forwarders will have to offer

Forwarders will have to offer much more in the way of added value services. They will have to take on more of the activities that they previously sub contracted out, to become more the service principal rather than just an agent. As a result of this, forwarders now have to put greater emphasis on having strategically located premises and new equipment from collection and delivery vehicles to the latest in computerisation.

In keeping with that general move towards added value services, some forwarding organisations are looking at ways of developing genuine one stop shopping covering both domestic and international movement of goods. To date, those

10-12 SEPTEMBER 1990

Distribution. Rockwood International was formed in 1988 from the marger of two wellknown UK based forwarding groups, Walford Meadows and Mercury Ahrheight, plus specialised book forwarder, Dawson, Royle & Willan, Rockwood International is building up its presence in a number of overseas markets.

Mr Don Rothwell, Rockwood International executive chairman, said the aim of the group as a whole was to offer customers a complete distribution chain from original point of origin of raw materials right through to the delivery of finished products to a retail outlet

We would like, for example, to be able to handle the movement of coffee beans grown in Brazil to the grader and packer through to the final movement to the supermarket shelf in the UK or other European country.

"We want to be able to touch the product as many times as we can, offering the customer any service he wants other than actually purchasing the product for him," said Mr Rothwell. WAREHOUSE EQUIPMENT

Power of the forklift

SUBSTANTIAL SHIFTS in the kind of equipment used in the modern warehouse and distribution centre have taken place over the past few years.

over the past few years.

Specialist forklift trucks, conveyor systems linked to automated sorting machines using har code recognition, and manual and automated carousels are all in evidence. But there are some significant differences in the use of equipment in throughout the world. Japan has some of the most old-fashioned equipment. On

Japan has some of the most old-fashioned equipment. On one estimate, for example, more than 90 per cent of all forklifts used there are standard counterbalance vehicles. This is probably because of the country's large network of small suppliers and Japan's lack of general sophistication in distribution.

in distribution.

Western Europe is substantially more advanced than North America in the use of specialist lift trucks such as order pickers, reach, narrow and very narrow aisle vehicles and stacker cranes.

About 100,000 electric powered lift trucks are sold in

About 100,000 electric powered lift trucks are sold in western Europe each year and about 65 per cent of these are non-counterbalance trucks, according to Jungheimich, the West German forklift maker.

However, there are some significant differences between European countries. The UK probably has the most sophisticated warehousing operations in Europe related to retailing, both for food and for the large mail order companies.

On the other hand, ware-

housing and internal distribution operations within UK manufacturing companies are well behind those in West Germany. This is partly a reflection of the different levels of investment and technology to be found in West Germany. Sales of electric lift trucks in

the UK up to Angust this year mumbered 13,000 units, according to Lansing-Linde, the UK arm of the West Gernam Linde group. Of these, Lansing-Linde estimates that 8,000 to 8,500 tracks went into the dedicated warehousing and distribution

The trend in the UK has been towards high-bay warehousing of up to 30 metres with more suphisticated order picking. One reason for this has been the increase in variations or choice offered to the consumer for ranges of products, from food to clothing.

At one time, warehouses used to have a few bottom racks for picking while racks above were used for replenishment. Many products now move less slowly but with much greater variation and the order picking areas have had to stretch nearer to the roof.

A second reason has been the way retailers have handed responsibility for their distribution operations to other, third party companies specialising in this activity. Such companies have

adopted a very professional stance on distribution and have the cash resources to cover the substantial sums required by a modern antomated distribution centre. Marks and Spencer has done this for along time, using BOC's Transhield, and this is more common in retailing.

An added factor is that the UK imports far more processed.

An added factor is that the UK imports far more processed food from the Continent than it used to and it is more distributed to have imports distributed direct to the backdoor of a supermarket than to do so through big regional centres.

Some warehouses are very summated with a central computer controlling operations. Off-the-shelf software packages are available for controlling the movements of mammed and unmanned lift trucks to provide optimum truck runs—the best use of a warehouse's forklifts to meet each day's order picking requirements.

order picking requirements.

Nevertheless, companies often favour the use of human control for picking from an automated piece of equipment.

Jungheimrich says that 90 per cent of its stacker cranes saies in the UK are manned. Stacker cranes use both floor and roof guideralls and can travel at contravel at contravel and contravel at contravel and contravel at contravel.

Mr John Gilbert, Lansing's product manager says too many materials hundling managers have been dazzled by what he says is the false assumption that automated handling can solve every problem while permitting a reduction in the labour force.

The human has many attributes in flexibility, adaptability, dexterity and basic intellithis gence. People are still far in advance of manipulative robots." The criteria for investment, he says, are a balance between capital and revenue expenditure and a study of the effectiveness of automation.

effectiveness of automatical.

The world's forklift manufacturing industry has been going through a shake out in the past three years. One of the motivations for this has been the scrabble to buy companies with technologies in advanced

warehouse equipment.

Along with this has gone the increasing cost for manufacturers of staying in the field of warehouse equipment which has made some of the smaller suppliers weak and therefore willing to seek the shelter of larger groups. This cost pressure has been exacerbated by the high expenditure involved in updating production plants to stay competitive.

to stay competitive.

The supply of specialist forklifts has increasingly centred
on Linde and Jungheinrich,
both of West Germany, BT,
and to a lesser extent Kalmar,
both of Sweden. Boss (with its
Steinbok subsidiary in West
Germany) is the higgest independent UK producer and in
some products has been taking
market share away from its
German competitors. In North
America, the dominant sup-

america, the dominant supplier is Raymend of the US.

Lansing, the once familyowned forkint maker was purchased earlier this year by
finde which is one of the two
largest western producers of
lift trucks.

BT has purchased a number of suppliers, mainly in North America, while two German companies, Larf and Irion have been absorbed by Kalmar. The Swedish company has also bought Coventry Climar in the UK but there have been rumours that Kalmar's parent, the Swedish government controlled Procordia group, is less than fully committed to the lift

truck industry.

The shake-out has also affected producers whose production has been geared over-whelmingly to standard engine-powered counterbalance tracks. The most marked example of this was the recent acquisition by Nacco (selling under the Yale brand) of Hyster of the US, the second largest producer in the world

Nick Garnett

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CUSTOMS CLEARANCE

Fast lane directs quicker delivery

DURING THE past two months, the UK has seen the introduction of two large import clearance schemes designed to facilitate trade within the EC by reducing delays and congestion at ports

two areas of distribution activ-

ity have tended to be handled

by separate companies, even if

there is sometimes close co-operation between the two.

Prominent among the UK forwarding companies pursu-

ing that strategy is Rockwood International Freight, part of the Bockwood Holdings group which also includes UK domes-

tic service operator Rockwood

Fast Lane is a one-stop customs clearance system at those UK ports and airports with DTI (Direct Trader Input) systems which enable them to transmit data direct to the customs com-

The UK has six DTI community computer systems at Dover, Southampton, Felixtowe, London, Northampton and Heathrow. They serve approximately 50 ports, airports and Irish land border stations. The Fast Lane system is designed for non-excise goods which originate in or are in free circulation in the European Community where HM Customs and Excise collects VAT and information for trade

statistics.

There are some exceptions in these categories such as live-stock, but in general, the customs authority says that more than 60 per cent of intra-Community freight, will be eligible for Fast Lane's electronic clearance. This gives immediate, free passage through the port and the freight will benefit from savings of at least an hour in clearance times.

The port at Dover, the largest Fast Lane operator, says that it is on target this year to handle a record 1m freight units and to process as many as 2,000 inward freight

Fast Lane is primarily designed for full load operators. Groupage traffic can only benefit from the scheme if every single shipment in the multiple shipment groupage load, is eligible for Fast Lane. If one or two shipments are rejected, then the whole load suffers the same delay while the offending shipments await customs checks.

Following the Fast Lane launch in August, HM Customs officially acknowledged its LIC (Local Import Control). This scheme brings Fast Lane-type benefits to groupage operations.

LIC was created by HM Customs as a single market initiative. It enables authorised forwarders to clear groupage loads on site. Until now, this authority, under the ICD (Inland Glearance Depot) system, was restricted to importers handling their own unit

LIC is aimed primarily at EC goods which will have to account for at least 50 per cent of any forwarder's gronpage traffic authorised by LIC. The scheme allows the forwarder to bring units, unimpeded by any physical customs check capart from the usual spot check customs security system that continues to apply), through any UK port and proceed direct to

the company's own terminal.

Pre-electronic entry to customs means that the goods are available for delivery as soon as they reach the terminal. If, through the entry, HM Customs does identify a questionable shipment, the operator will be required to retain that item for customs inspection

Fast Lane is a one-stop customs clearance system at those UK ports and airports with DTI

while the remaining shipments are free for delivery. Related documentation is faxed through to local customs offices and originals are submitted later.

While HM Customs and Excise awaits final approval for the expenditure that the operation of the LIC scheme will bring, a number of companies have been authorised to operate LIC on trial. The first of these was Davies Turner a leading UK trailer operator which claims to have ploneered the concept of groupage

More recently, LIC approval has been granted to various fowarders including Sea Route Ferry, Enterprise Forwarding, RW Freight, Anglia Forwarding and Frans Maas. While forwarders and their terminals will have to meet certain criteria to be eligible for LIC authorisation, the customs authority is enconraging enquiries and applications.

If, as is likely, LIC is approved, then the scheme should become generally available from spring, 1990. HM Customs estimates that LIC in its first year could account for about 25 per cent of entries on EC groupage traffic and expects increases in the future.

The single market is widely

predicted to change distribution patterns. It will shorten transportation and customer order cycls times and therefore, lead to smaller shipments.

Groupage operations will benefit from this trend. Large transport service users, such as Philips International of the Netherlands, are forecasting a gradual shift to more part

loads, normal LTL (Less than Trailer Load), and high performance LTL with higher service standards.

Mr D Goedhart, managing director corporate forwarding for Philips International, told the Freight Transport Association conference, that the growing trend towards direct deliveries and the shift to regional warehousing covering more than one country would demand "increasing cross border LTL services with high reliability."

Traditionally the operation of groupage/consolidation services has demanded substantial investment in networks, interlined terminals and consolidation centres. Groupage has often been a problem for customs clearance with delays at UK ports varying from hours to weeks because the loads contain multiple shipments from different shippers.

Efficient groupage operators make every effort to maintain control over the operation by ensuring all documentation and shipments are in order. Mistakes do happen and the resulting delay for customs checks on just one shipment in a trailer load, will reverberate throughout the forwarder's groupage operation.

For example, the trailer may have been scheduled on arrival at the terminal to turnaround with an export load and so the schedule is disrupted. As a result, efforts to mount timed export or import groupage scheduled services have been somewhat half-hearted.

Davies Turner, with an LIC operational since June, says that the system offers advantages for both the operator and the customer.

"The greater elements of

control we achieve through LIC by which we know exactly when a trailer will arrive at the terminal, will enable us to provide guaranteed, timed services to a far greater number of destinations," said Mr Philip Stephenson, managing direc-

For the customer, Mr Stephenson says LIC should mean savings in both time and money due to faster transit times and improved efficiency and reliability with control back in the hands of the operator.

The introduction of LIC by customs was timely for the UK based groupage operators. The large US LTL operators, recognising the opportunities that the single market will offer, are preparing to enter Europe and have considerable experience in groupage.

In the US, the top three road

transportation companies, Yellow, Consolidated Freightways and Roadway, are heavily com mitted to LTL services from which they derive at least 40 per cent of their total revenue. Europe could prove easy pickings for US operators and their experience of LTL and groupage over the greater distances

in the US,

The Japanese too, have expressed interest in the new systems such as LIC and their effects on trade facilitation in the single market. One Japanese study group organised by Keidranen (Japan Federation of Economic Organisations) is visiting the UK and Europe during October to look at the deregulatory steps being taken in transportation and distribution in preparation for 1922.

Among the specific systems the group has observed is LIC

which was displayed to the members by Davies Turner at its Dartford Terminal.

Mr Masaya Miyoshi, Keidranen's president director general, says that deregulatory steps such as the introduction of LIC, are very much in line with the federation's goals in Japan where Keidranen has been pressing for the deregulation of distribution.

The group was genuinely

interested in the application of such systems in the domestic Japanese market but that is not to say that certain study group members may not have a dual interest in the opportunity that LIC represents.

The large European gron-

The large European gronpage operators such as Schenker, Panalpina, Frans Maas, Kuehne & Nagel, Calberson and Davies Turner, have an early opportunity to break out of their national and regional groupage moulds to make pan-European investments to ensure they retain the majority share of their own European market before the foreign predators arrive

Anne Hunter

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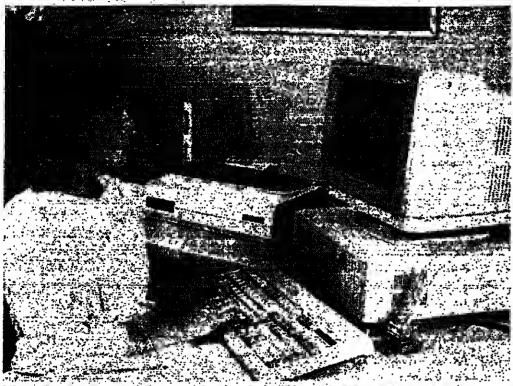
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and despatch system speeds up the preparation of consignment notes and address labels

INFORMATION TECHNOLOGY

EC network planned

THE MARKED acceleration in the spread of Electronic Data Interchange (EDI) concepts and technology will have a large impact on both domestic and international distribution

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Distribution activities already tend to be as much about the rapid and reliable transfer of information as the actual physical movement of the goods concerned.

In the UK, for example, a growing number of domestic distribution service providers can offer users fast reports on the status of goods in transit and proof of delivery, VAT and other statistical requirements, service details, sales statistics and market information by product or location."

It is important that potential users of such systems should distinguish between those which simply tie them into the operation of one particular operator and those which give them access to more wide rang-

ing EDI systems. Such considerations will become more significant in the light of the single market, a point which has prompted the Commission to draw up a Community action plan relating to the electronic transfer of this. Tha project, called TEDIS (Trade Electronic Bata Inter-change Systems) is designed.

change Systems), is designed to prevent a proliferation of closed trade EDI systems with the resulting widespread incompatibility of such systems. It will help to pro-mote the creation and estab-

The Commission has drawn up an action plan for the electronic transfer of data

lishment of trade KDI systems which meet the needs of users. in particular, small and medi-

um-sized enterprises.

A number of information technology companies such as IBM and GEISCO are providing IBM and GEISCO are providing EDI services in Europe, where the UK leads the field with more than 2,500 users. Companies involved with international distribution activities, or planning to be over the next few years, must put EDI in the forefront of their thinking.

By 1992, every EC member state should have its own customs, maintrames, providing

toms mainframes providing interfaces for all exporters and importers. The plan is that those mainframes will be linked to the EC's mainframe in Brussels which will control payment of duties, VAT and collection of statistical information no matter where a ship ment is imported or exported within the Community.

Export/import companies

and their carriers will have to be able to interface with existing member state mainframe computers to keep a competi-tive advantage after 1992.



Providers and users of distribution services will need the technology to be able to directly interface their own information technology systems with other relevant links in the overall logistics management chain, such as TROS (electronic round relevant of sale) RPOS (electronic point of sale) systems and stock control and warehousing operations.

Developments are well under way in the express parcels delivery business where ser-vice companies emphasise the important role they can play in the support of so called Just In Time distribution systems.

JPT demands that information about delivery require-ments and operations he passed easily and rapidly between all the parties involved.

Among the latest UK compa-

nies to step up its development in that field is United Carriers the UK parcels delivery com-pany. It is investing some £3m pany. It is investing some £3m over a period of two years to develop and instal a computerised information system which will link up all its 23 depots in the UK. Pilot schemes are in operation at four depots and the network should be on line for consignment status report-ing by the middle of next year.

That will mean that a cus-tomer will be able to contact

any one of our depots to get fast, up to date information on the status of any consignment or parcel. At the moment, wa are handling around 30,000 consignments a night, with the average consignment size being seven to eight parcels," commented Mr Martin Pollard, computer services director for United Carriers.

What we are looking at now is a base point for continuing longer term development in the field of information technology. The important consideration for us in developing exactly what our customers really wanted from it. Once you have committed yourself to a tracking system it can be very costly to rectify mistakes or pull out," he said.

However, while express par-cels companies have generally been at the fore of information technology developments, par-ticularly in relation to consignment tracking, many of the basic requirements for a successful express delivery operation also apply to general dis-

In addition to consignment tracking, other areas of activity covered by information technology development include general processing of paperwork, vehicle scheduling and routing, communications, management information and service monitoring. Some distribution service companies are taking their information technology systems a stage fur-ther and allowing some of their large customers direct access to service and consignment information via terminals installed on their own prem-

Federal Express, for exam-ple, has recently introduced a development in the UK called FedEx Controller, a manage ment information and despatch system which is based on a customer's premises to help speed up the preparation of labels, hold all consignee details on its own database and

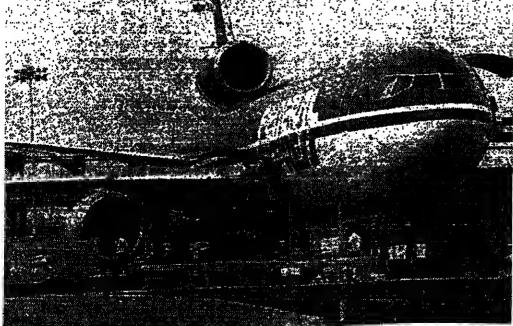
The plan is for mainframes to be linked to the EC's computer in Brussels

provide complete management information for the consignor. According to Federal Express, the Fedex Controller has been installed on the premof 15 customers, including Hewlett-Packard, and it is expected that up to 120 will be in place within the next year. A similar product developed for the organisation's US mar-ket is installed at over 7,000 enstance locations. customer locations.

Further computerised freight tracking system enhancements being developed by a number of companies include the intro-duction of direct data transmission between depots and vehicles - replacing radio communications - and computer controlled collections.

The latter allows a customer's telephoned order to be keyed straight into the com-puter system rather than any hard copy collection note being written out. That information can then be electronically transmitted to a collection

Phillip Hastings



Movement of goods: Federal Express DC10 at Stansted, the company's gateway to the UK

A wide variety of consultants are helping the industry to develop and improve

Driving home the efficiency message

THE UK distribution sector is widely credited with being in the forefront of that industry's development worldwide and, particularly in the area of retail distribution, is often held

up as a prime example of mod-ern thinking and efficiency. Helping to foster that development are a growing number of consultants specialising in that business who are produc-ing new concepts for overall distribution operations and practical advice on how to implement more specific

changes and improvements. In that context, the distribu-tion consultant has three main functions, to clarify and quan-tify policy objectives; to improve the efficiency of the methods by which those objec-tives are achieved; and to elim-inate possible conflict between short-term and long-term inter-

Distribution consultancy services are available from a variety of sources. Large general management consultancy organisations, for instance, will tackle distribution either as an individual project or as part of a broader study of a client company's general busi-ness activities. Competing with them are a number of consultancies which concentrate particularly on distribution.

Some of the latter are inde-pendent management consulancies while others are the consultancy arm of distribu-tion organisations, for example the NFC consulting group. In addition, most leading distribution service companies offer consultancy support for poten-

tial and existing customers.
Also in the consultancy field are some of the various distribotton and transport industry trade associations. For exam-ple, the Freight Transport Association, which represents the transport interests of some 13,600 member companies in the UK, has recently expanded

its consultancy services.

The FTA is offering advice on personnel and recruitment, quality assurance, customs and quality assurance, customs and international transport, dangerous goods, advertising and publicity, and operator licensing. It is well established in the provision of advice on vehicle maintenance procedures, the planning of new workshops and design specifiworkshops and design specifi-cations/suitability of vehicles

Consultants are producing new concepts for overail distribution operations

and other transport equipment.
The precise choice of consultant can to a large extent depend on the nature of the advice needed and requirements can vary from an indi-vidual project covering one aspect of distribution to a full international logistics manage-

Distribution consultants report a great deal of interest from companies interested in improving their inventory con-trol. With a lot of interest being shown in Just In Time distribution and its implied low stockholdings it is tempt ing to assume that inventories are generally being drastically

In fact, although that is the case in some instances, there are still many companies who are continuing to hold much larger stocks than are desirable for efficient and cost effec-tive distribution.

Reasons for seeking a consultant can vary considerably. A manufacturer or retailer may, for example, want specialised knowledge and experience which is not available within his own organisation. Alternatively, existing resources may be fully commit existing ted, so creating a requirement for short-term additional assis-

In that context, one of the more interesting developments involved the introduction by stribution consultants Davies and Robson of a new type of management support scheme to help companies without suf-ficient in-house distribution expertise to keep abreast of the latest developments in logistics

The scheme, called Team-share, provides a long-term input into a customer com-pany's management process by providing experts from Davies and Robson on a day-to-day basis whenever matters of distribution or logistics are under scrutiny.

According to Mr Peter Newson, Davies and Robson managing director, Teamshare gives medium-sized companies the same sort of distribution management muscle as their larger competitors.
Teamshare is a continuous

programme of healthy living: project consultancy is more like an intensive session at a health farm." Mr Newson com-mented, as he made the dis-tinction between conventional project based management consultancy and Teamshare.

The typical cost of a Team-share contract could be £8,000 to £10,000 a year. Davies and Robson claims that clients will always achieve quantified ben-efits in excess of their particular contract fee.

Another reason for retailers to seek consultancy services is the need for a new, unbiased opinion on existing problems or future plans. In some cases, it is only through a consul-

tancy report than a hard-pressed transport or distribution manager can get new ideas for improvement taken seriously by senior manage-

Conversely, the top management may need to call in a consultant to produce plans which are unhindered by the possible vested interests of the distribution or transport manager. An outside consultant, it is claimed, can apply an objectivity which it is very difficult

Most leading distribution service companies offer consultancy support

for a company's own personnel to achieve.

A consultant is in a position to view the scene against the perspective of what is achieved in other analogous industries and circumstances. Often, dis-tribution consultants can spot opportunities for cost savings in distribution by looking beyond the immediate function involved to other areas of operation which directly or indi-

rectly impact on it. In-house managers may be inhibited from doing that themselves because they would infringe a colleague's territory. As an example of the sort of area where consultants can help companies achieve cost savings on distribution, one consultant said that it could involve something as simple as a pack design where an adjust-

could have a very significant impact on the make-up of unit The savings in distribution costs could be surprisingly large. One company, for exam-

ment measured in millimetres

increase in unit load capacity by making changes of only 4mm on the length and 3mm on the width of product car-

Improvements of that magni-tude mean that 77 vehicle jourload that previously would have required 100 vehicle journeys. Similarly, consultants are able to use broader con-cepts such as Direct Product Profitability (DPP) to target areas for improvement on the

distribution side.
A spokesman for consultants A spokesman for consultants Cresap, McCormick and Paget said DPP should be used as a means of comparing costs and also of identifying opportunities for making cost savings.

He quoted the example of a US confectionery wholesaler for which the company had carried out a study. By change-

carried out a study. By changing the location of some fast moving products within the company's warehouse to cut down the time staff spent collecting them, a saving of some £14,000 a year had heen

achieved. Increasingly, though, retailers are turning to consultants for help in developing more wide-ranging strategic distribu-tion or logistics management systems. Helping to accelerate that trend, at least among the larger retailers, is the approach of the single market and the need for them to start considering distribution on a pan Euro-

pean basis. In that context, leading consultancies are working hard to develop distribution and logistics management strategies which can be used by manufacturers, retailers and other organisations in preparation for the single market.

Phillip Hastings

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DISTRIBUTION SERVICES 6



BR's Railfreight Distribution is on the European track for the post-tunnel era

Swapbody units cement road links

payload of up to 63 tonnes each. RfD reaped an unex-

pected bonus from the recent

dry spell in the form of

increased shipments of French

mineral water, in which it is

development will be in the

wholesale market, in which BR

effectively sells rail space to

other distribution companies.

The problem facing RfD in this

However, the most dramatic

the market leader.

BRITISH RAIL has been criticised in some quarters over the last couple of years for its alleged lack of vision in exploiting the opportunities which will be offered by the opening of the Channel Tunnel

Much of the criticism has revolved around the reluctance of railway managers to consider bringing the UK into line with the bigger continental loading guage by constructing new lines or adapting old ones.

BR continues to insist that such proposals are hopelessly uneconomic, in spite of claims by the transport consultants Steer, Davies and Gleave that a substantial network could be created for not much more

Nevertheless, BR's Rail-freight Distribution (RfD) division, which was formed a year ago to improve rail's penetration of the distribution market, is hoping for a big increase in its 7 per cent share of anglocontinental traulo

RfD takes heart from a recent opinion poll which showed that 50 per cent of exporters think rail will be the most attractive mode of trans-

port in the post-tunnel age. Hoping to build on this apparent reservoir of goodwill, it recently set up a new Euro-pean business organisation, headed by Mr David George, to co-ordinate international

This includes the existing door-to-door container services operated through Harwich by RfD's Freightliner subsidiary, and the conventional railway waggon traffic which goes by

train ferry from Dover. There have been improvements in both services over the



George: seeking a partnership with road haulage interests new generation wagons with a

last year. In September, RfD entered the Intercontainer Pool, operated by European railway authorities, which pro-vides a simple mechanism for one-way container movements by rail. As a result BR is already picking up traffic for which it could not previously bave quoted competitively against road hauliers.

The trainferry service is operated by the new Nord Pasde-Calais jumbo ferry, using

market is that most distribumarket is that most distribu-tion companies are road-based, and it has proved difficult to persuade them to tranship goods between modes.

This has been less of a prob-lem in continental Europe, where rail enjoys much greater political prestige — and subsi-dies — and where legislation sometimes compels companies to use the railways for certain

As a result there has been a series of technical advances in combined transport, notably in the use of swapbodies — cargo carrying units capable of being temporary directly between transferred directly between road and rail vehicles - which account for more than 70 per cent of combined transport

The growth of this market is impressive: combined transport movements have quadru-pled over the last 10 years, and are estimated to account for (standard containers) a year, compared with carryin Intercontainer of 887,000 TEU.

The UK has been largely isolated from the growth of this market for two reasons. The first is that, unlike containers, swapbodies cannot be stacked in the lift on, lift off (lo.lo) ships which ply between the Continent and Britain.

This problem will be overcome as soon as the Channel Tunnel opens in June 1993 - a date confirmed this month by Eurotunnel, the Anglo-French consortium which will operate the tunnel, in spite its finan-cial difficulties.

However, RfD's ability to use swaphodies has also been restricted by the loading guage problem, which meant that the standard swapbodies in use on the Continent would foul the tunnels on many BR tracks

because of the smaller loading

BR has found a partial answer to this problem, which will allow it to introduce swap body trains on at least one mainroute from January.

The solution being adopted is to acquire wagons from France which will reduce the height of the swapbody platform above the rails by 80mm to 967mm. This small reduction in wheel size allows BR to get started in the swapbody mar-ket quickly, and has the advantage that the French wagons are proven technology, with none of the uncertainty which might have surrounded the development of a genuine

small-wheel bogey. However, the French wagons

The most dramatic development will be in the wholesale market, in which BR sells rall space to other

distribution companies

will only be able to carry stan-dard continental C22 swapbodies on lines where the loading guage has already been improved to give clearance for 8% ft containers.

In practice, this means that RfD will be limited, at least initially, to a route from Har-wich, where it already tran-ships containers, through the north-west of England to Scot-

The RID ronte through

Dover, via the trainferry service cannot be used for swap-bodies because the loading guage has not been altered for 81/2 ft containers. However, BR plans substantial improvements to this route before the opening of the Channel Tun-

For the moment, RfD plans to run one swapbody train a day from Harwich to Scotland. Swaphodies will leave the port two hours after arrival (thanks to the new Fastlane system introduced by HM Customs and Excise), and arrive in Scotland 12 hours later, having run at a maximum speed of 90 mph - 15 mph faster than most

The service will be marketed

in continental Europe, raii enjoys greater political prestige and legislation sometimes compels companies to use the railways

by a joint company to be formed with road haulage interests, similar to combined transport companies such as Kombiverkehr in West Ger-many and Novatrans in

Both these companies will have a share in the UK joint have a share in the UK joint venture, in which BR will take a minority stake. Large compa-nies — thought to include Transport Development Group and United Transport Interna-tional — are being approached to provide road-based exper-

"This takes the railways into a new era, because historically they have been seen by road haulage interests as a competi-tor. What we are seeking here is to develop a situation where road haulage interests see RID

as a partner," says Mr George. "This is a revolution in "This is a revolution in transport technology in the UK. The potential of this has simply not been realised. Once it is fully appreciated there will be a lot of people queuing up to take part in this. We are talking to a lot of major hauliers already."

The use of swapbodies will give RID capacity to handle cargoes of up to 44 tonnes — the ceiling in most of the RC outside the UK, where the limit is 38 tonnes.

is 39 tonnes.
In practice, this advantage is likely to be limited in application because of the difficulty of arranging final delivery from the railhead for swapbodies weighing more than 38 tonnes. However, the hope is that the Government will recognise the potential of rail transport for heavier cargoes, and encourage the use of combined transport as a way of limiting the numof heavy lorries when the UK exemption from the 44 tonne ceiling ends in 1998.

Railfreight Distribution believes the combination of Freightliner container traffic, swapbodies, and the 10,000 UK guage wagons in the existing guage wagons in the existing international fleet will allow BR to carry all the freight it can handle profitably in the post Channel Tunnel era.

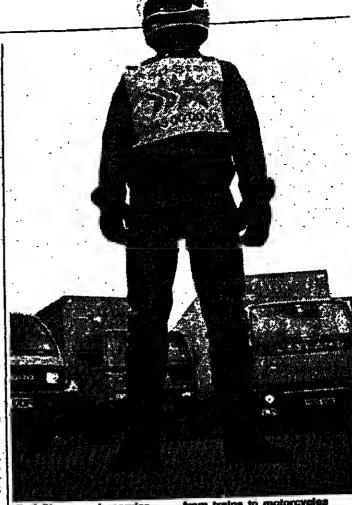
"We will lose in the market for 9% ft containers and Supercubes, but our view is that it is not viable to alter the entire loading guage to carry them."

loading guage to carry them," says Mr George. "We believe we are the only

freight railway in Europe which makes money, and we intend to keep it that way."

Kevin Brown

Technology to the fore: Red Star, British Rail's express parcels subsidiary, serves customers through 520 parcel points in the UK. The Parcels Business Machine (left) is a computerised tracking system that follows every parcel enabling it to be located at any point



Red Star parcels service . . . from trains to motorcycles

RED STAR

Privatisation candidate

NO-ONE quite knows how Red Star got its name. But British Rail's express parcels subsid-iary is shedding its image as easy meat for private sector competitors with an extensive management shake up virtu-ally completed, record profits under its belt, and several products about to be faunched.

The management changes have brought several senior nave nrought several senior executives into the business from private sector parcels and airline companies, in an attempt to sharpen Red Star's act. In addition, almost all staff are now under direct Red Star control, rather than reporting through BR's regional management struc-

Red Star has been given a degree of accounting independence, and has adopted greater openness in reporting, in an attempt to clarify its financial relationship with ER.

As part of this process, Red Star recently reported profits 270m for the year to March. 1988. Mr Adrian Shooter, man-aging director, added later that profits had doubled since 1987, and that turnover had

been rising at 25 per cent a year for four years.

All this helped to consolidate Red Star's position as a prime candidate for early privatisation. Mr Shooter is relucted to consolidate for early privatisation. Mr Shooter is relucted to comment on the property of the pr tant to comment on the pros-pects of moving into the private sector separately from the rest of BR, but he would oppose any attempt to divide the business between a num-ber of regional railway compa-

"Our unique selling point is the BR network, and we are dependent on BR's help and interest. Red Star is only via-ble as a national network, and it makes little sense to divide it up in a geographical man-

ner," he says.

At the same time, he is anxious to maintain, and possibly extend, Red Star's independence from the rest of BR. "Red Star has to be a sepa-rately accountable unit. It can-

not be an integrated part of

in Red Star sees us as being in the parcels business, not the

Meanwhile, Mr Shooter's eyes are on Europe. Interna-tional business accounts for only about 4 per cent of Red Star's turnover, but the target is to raise this to 20 per cent

As part of this process, the rate card has recently been revised to integrate domesticand overseas services, and the existing small aircraft flying daily from Southend to Brus-sels will shortly be replaced by a larger aircraft operating out of Birmingham.

Red Star hopes the new service will start with 1.5 tonnes a day, rising quickly to a level which would justify using a Shorts 330 aircraft with a payload of 2.4 tonnes. This coupeares with present volume of about half a toune from South

Birmingham is befor situated for traffic originating in the Midlands, the north and Scotland, while being equally accessible from London. For example, latest pick up times will be 5 pm for Liverpool and 4.30 pm for Glasgow. This compares with the present pre-lunchtime pick ups. After 1993, the Channel Tun-

nel will open up possibilities, such as same day express parcels trains to Paris and Brus-

Red Star is seeking to expand its wholesale activities by using its spare capacity during the morning to offer same day delivery in the UK for importers, primarily, freight forwarders. For the moment, Red Star is handling less than 1,000 packages a week of this sort, but alms to increase the business to 5 per

cent of turnover within a year.
"What we are actually doing is picking up crumbs from the rich man's table. But what we are trying to do is to move up the value scale by organising customs clearance and line haul," says Mr Shooter.

Kevin Brown

concer of the tractor units up RUEHAUF Horsepower alone can't deliver the goods.



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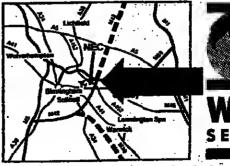
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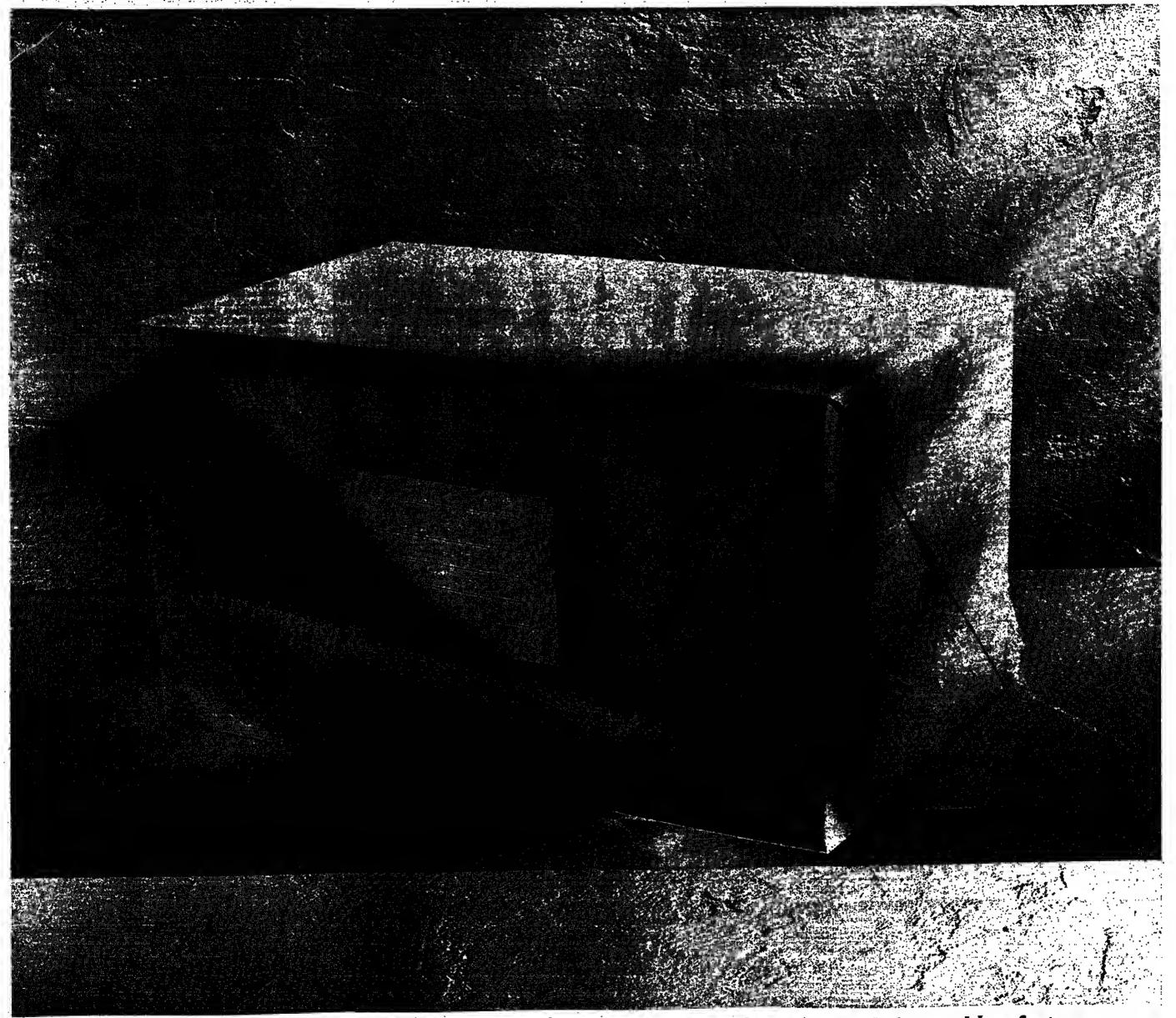
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of suitably qualified personnel.

In the UK, for example, trade organisations and individual companies are warning of the need for the distribution industry to ensure that recruitment and training keep pace with the growth of business. If those same sources are to be believed, present indications suggest that is not happening.

They say the distribution industry is very short of sufficiently trained staff as recent rapid advances in distribution techniques and technology outpace the supply of people equipped to support them. Fuelling that shortage is a lack of training facilities and an education system, claim distribution industry companies, which fails to supply enough people for training.

people for training.

While there are some training courses available such as those at the Cranfield Institute, they say there are too few of them and they are too late. Management training courses, in particular, are not keeping up with demand, it is claimed. Those problems are apparently being experienced throughout the industry, with manufacturers, retailers and distribution service companies having problems finding enough people trained to take on many of the changing roles

industry, particularly at middle and junior management, levels.

The pressure to find sufficient trained personnel is par-

in the modern distribution

The shortage of suitably qualified people is hampering development, reports Phillip Hastings

No cheap alternatives to proper training

ticularly critical for contract distribution companies. These can win a number of large multi-million pound contracts within a relatively short space of time, so generating demand for additional management personnel at various levels. One result, they fear, could be increased instability on the personnel side which could in turn effect service levels.

Latest warning comes from

Latest warning comes from Mr Paul Carvell, general manager sales and marketing for TNT Contract Distribution which has its own development and training programmes to meet staffing needs. In a state-

The industry is very short of sufficiently trained staff

ment published in September, Mr Carvell claimed the contract distribution industry could become a victim of its own success.

"Salaries are at an all-time high and if the number of applications and CVs that I receive are anything to go by, the industry is in a state of instability, with employees at all levels looking elsewhere for inflated salaries," he said.

That instability continued

That instability, continued Mr Carvell, went against the wishes of customers who liked to see consistency among the personnel they were dealing

"Our customers are not only giving us their business because of our name. They are investing in our people. With many contracts running into five years or more, they do not want to see faces changing on a regular basis," he added.

This point is reinforced by

Mr Brian Templar, managing director of Federal Express Systemline, contract distribution company. This whole business is about service quality and it is the people involved as much as the technology and facilities which can ensure that high quality service is maintained," he said. The issue of recruitment and training in the distribution industry was very much to the fore at this year's UK Institute

fore at this year's UK Institute of Logistics and Distribution Management conference. Significantly, one of the five conference tracks was devoted exclusively to the general subject of management training and education.

The conference was told that

as far as the supply and capabilities of managers was concerned, the demand and potential demand over the next decade would far outstrip the supply.



Comply enterior are at an ati-time high

There were no easy or cheap answers to the potential short-fall between demand and supply. Demographic issues over the next decade would exacerbate an already difficult situation. In the short term, the premium, often financial, for good quality management would probably increase.

nality management would addressed by looking at what could be here time, there

could be moves to reduce the demand requirements for managers, either in terms of numbers or capabilities. The alternative, conference delegates were told, was to look at the supply side of the equation. That subject could be

In that context, many distribution industry executives believe there is a need for joint ventures and joint projects involving companies, educational institutions and possibly the Government. Programmes of short courses, distance learning materials, home and work based study, all have a part to play, they believe.

Mr David Granville, the educations of fices for

Mr David Granville, the entcation and training officer for the ILDM, said training was frequently perceived as being expensive, a nice thing to do when money was available. Come recession and cutbacks, the training budget was one of the first things to suffer.

Training can be expensive if it is badly planned and badly organised but if done correctly, training can yield astonishing benefits, Mr Granville claimed. The need for the development of logistics personnel had to be recognised not only by the business at large but by those actually directly involved in logistics. The requirements had changed. It was no longer sufficient to be

requirements had changed. It was no longer sufficient to be able to respond to questions of how much have we got and where is it, he said.

"Much more fundamentally,

"Much more fundamentally, people now needed to be able to answer the question why have we got it and why is it

there. At the same time, it was no longer sufficient to think nationally – people needed to think European and interna-

"The cost of providing training is increasing. In some cases, training could be viewed as expensive. It would, however, be unrealistic to consider the costs in isolation. Costs must be compared with the benefits which will be achieved and the opportunities which will be lost by not undertaking the training," Mr Granville

The education system falls to supply enough people for training

Those costs, he said, could be broken down into four

Analysis: the costs associated with the initial problem identification, need analysis and development of objectives. They would include salaries, materials and consulting fees.
Development: the costs of programme development.
Delivery: all the costs associated with the delivery of the programme, including materials, accommodation and

 Evaluation: the costs of evaluating material, analysing the results and reporting the

findings.

The costs of ignorance, continued Mr Granville, included the costs of failure, the costs of exceeding requirements and the cost of lost opportunities. Failure costs, he said, covered the costs of correcting mistakes which occurred internally within the business and

externally with customers.

He pointed to the costs of shipping the wrong product; retrieval; returning products to stock; loss, damage or shrinkage; premium transport to replace goods; administration/overheads; lost goodwill; and lost sales, as examples.

The cost of exceeding requirements involved the costs incurred for providing services for which there was no requirement. These include excess stocks, extra transport costs incurred through faster delivery services, excess cost from an inappropriate distribution network and excess costs from under ntilisation and performance of resources.

formance of resources.

Costs of lost opportunities were reflected in the impact on profits of the lost revenues resulting from cancellation of orders or lost business as a consequence of the actions of the distribution or logistics department. Typically, such costs could occur from not delivering in time or not hav-

ing stock available.

Training can be expensive.
The benefits can, however, significantly outweigh the cost and the cost of ignorance can be enormous, concluded Mr Granville.

British Standards Institution

High quality assures sales

AS EUROPE moves closer to harmonisation in the single market, there is an increasing awareness in the distribution industry of the importance of quality assurance.

quanty assurance.

The UK quality certification, known as BS5750 and which is in line with the European and international equivalents, EN29000 and ISO9000, is being sought by a growing number of companies. They realise that quality will be a vital factor in determining how effectively they can compete in the single market.

single market.
In the UK, the certification
of Quality Assured, symbolised by a golden crown and
tick which the accredited company may display, means that

Certification indicates a service or product meets the standards and specifications set by customers

a company's management and systems have met with the standards set by the British Standards Institution (BSI). Certification indicates that a company is providing a service or manufacturing a product to the standards and specifica-

the standards and specifications set by its customers. In the UK, certification for BS750, is controlled by the NACCB, the National Accreditation Council for Certification Bodies.

The NACCB, set up by the

Department of Trade and Industry in 1985 to uphold standards of certification bodies in the industrial sector, examines their fitness for accreditation as officially approved examining bodies. This accreditation process remains voluntary and there are 11 accredited certification

bodies in the UK including the BSI. Twelve other bodies are applying for certification.

Increasingly, companies such as ICI, are demanding that all their suppliers must meet BS5750 or equivalent standards. Wincanton Distribution Services became the first UK distribution company to apply for BS5750 certification following rumblings, two years ago, that ICI was poised to make BS5750 a must for any contractors seeking its busi-

Wincanton set its internal wheels in motion in the conviction that if it was the first in distribution to be accredited, it would gain a clear advantage over competitors. It ascertained from the BSI exactly what an application for BS5750 entailed and how much it would cost.

much it would cost.

In spite of lengthy preparations involving refinements and improvements to systems and the introduction of others, two of Wincanton's divisional applications failed. Its workshop procedures were not considered good enough and no written statement had been prepared on how each job was to be performed to ensure

These problems were rectified and the two divisions reapplied and were accredited. For Mr Chas Lawrence, managing director at Wincanton, the considerable effort in cost and time to achieve the Quality Assurance certification, was worthwhile and cost effec-

It opened closed doors: "We now know that if a major customer does insist on BS5750 certification for say, carrying chemicals or petroleum, both important areas of activity for Wincanton, we are able to quote for that business," said Mr Lawrence.

Wincanton's certification

Wincanton's certification received widespread publicity which in turn brought enquiries from potential customers. According to Mr Lawrence: These are quality companies, many enjoying BS5750 in their own right, who would rather use contractors of supplies or services who are up to their own standard."

ICI Chemicals & Polymers group is accredited. Both ICI and Wincanton claim that the effects of BS5750 certification have been marked. For ICI, as it developed the quality processes necessary to reach the BS5750 standard, new projects got underway which demonstrated how long-standing problems could be permanently solved with a significant effect on bottom line

costs.

As outlined by Mr Alan Halfpenny, distribution manager of the chemicals and polymers group of ICI: "The first project saved £Im in a year by loading road tankers to capacity every time they left the works." This was achieved through a corrective action team comprising representatives from every aspect of the operation from loaders and

drivers through to sales.

ICI says that BS5750 certification enabled the company to demonstrate to its customers that it had a quality operation from plant to customer. The company says that the very process of the quality initiative has been a "powerful tool" to motivate staff in all sectors.

Mr Lawrence said at Win-

More companies are demanding that all their suppliers must meet BS5750 or equivalent standards

canton, the preparatory process greatly helped the company to "get its act together."
"It has been like deciding whether or not to use a computer system; the most useful thing you do in that study, is the analysis of how you work today before you put it in the black boxes," he said.

otack boxes," he said.

ICI and Wincanton executives warn however that BS5750 is not an end in itself. As a ticket to the starting gate, it serves as an examination along the route to "total mality assures 2.

quality assurance."
"That means the understanding of clear specification, final corrective action and measured annual performance improvement," says Mr Half-

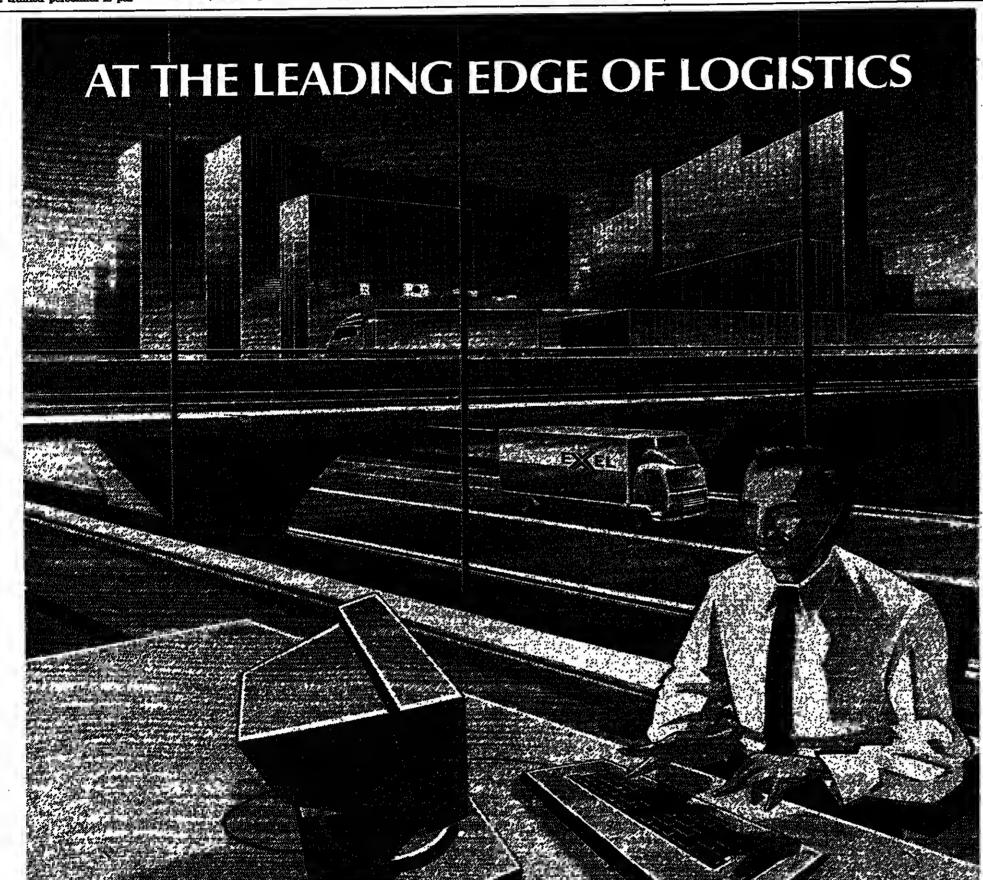
penny.

From where he sits at ICI, Mr Halfpenny believes that the UK distribution industry could improve its image and financial position by embracing quality procedures and selling its services through the qual-

with the advent of the single market, Mr Halfpenny forecasts that Quality Assurance will be a vital marketing tool: "There will be a scramble to show how among apparently equal companies, quality will mark the difference to the dis-

cerning buyer."

Anne Hunte



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A SECOND

Float translates as more cash



publisher (left), plans to reduce further the debt taken on through the acquisition of Macmillan, the US publisher, by floating 45-per cent of Berlitz International, its language Instruction subsidiary with 260 language centres in 25 countries. The partial flotation is expected to

Poor Brussels. As if the market itself was not enough to worry about, the huge volume of orders has caused the Belglan Stock Exchange's spanking new computer system, installed in January, to colleges. Today trading will return to the open outcry system. A stock-broker said: "Clients have been phoning up asking whether trading has started yet in "that Mickey Mouse market of yours'." Page 46

elgn takeovers of local companies have become a regular feature as northern Europeans expand their markets in the Mediterranean. "Greece is being included in ... near. Greece is being included in international company strategies for consolidating their operation in southern Europe. For consumer products, it's not just a company that's acquired, but its distribution network too," says Mr. Dimitris Pavlakis of Alpha Finance, a new Greek company specialising in mergers and acquisitions. Page 23

Zambia looks to its land



Travellers through the African continent know the abbreviation "MMBZ": they stand for "miles and miles of boring Zambja." But the country's vast, empty spaces offer great opportunities that, until now, have been ignored by reliable rainfall, and a climate in which most

engineering company, is offering Rs9.43bn in convertible debentures to its shareholders and the public in the second and largest of a dozen offers to hit the country's capital markets in six weeks from late September. In a drive to lift industrial growth from the present 8 per cent, prime minister Mr Rajiv Gandhi has liberalised printe filmine in the result of the result o

Market Statistics

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value Berlitz at between \$400m and \$500m with the net proceeds of the offering between \$200m-\$250m. Page 28 Computers in disgrace

Taramasalata and takeovers

The takeover business is spreading to one of the smaller outposts of the EC - Greece. For-



the Government Fertile soil, adequate and tropical and temperate crops can be grown combine in a country where only 6 per cent of its 24m hectares of anable land are cultivated. But that is set to change. Page 21

India on a private funding spree

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to confusion in UAL deal

APPARENTLY contradictory comments from Citicorp, the US commercial bank which was to binnered the financing of the pro-posed United Airlines leveraged buy-out, caused new confusion and anxiety on Wall Street yes-

terday.'
. The Dow Jones Industrial Average fell by as much as 60 points for a few moments just before lunchtime, as UAL's shares were suspended ahead of a clarifying statement from Citi-

"We do not have an agreement with either the borrower or banks, but are working with both towards coming to a satisfactory resolution of the financing," Citicorp said. UAL's shares, which led Friday's collapse on Wall Street and again on Monday, plunged a further \$22 to \$201 shortly after the amount coment. shortly after the announcement. The stock market fell sharply for a few minutes in sympathy with the declining airlines sector, but prices of companies not involved in takeover speculation soon recovered to show only

Citicorp's statement shocked the market because it seemed to contradict earlier press reports that Citicorp had made dramatic progress in reviving the UAL financing and earlier suggestions that a new deal might be announced within 24 hours.

The New York Times quoted Mr Rodney Ballek, a Citicorp executive in charge of corporate financing, as saying that he had received "expressions of interest" from other hanks, "significantly in excess of what is required" to complete the UAL buy-out. Mr Ballek was not quoted regarding the price Citicorp might propose for it.

A Japanese news agency reported that Citicorp had given Japanese bankers a 24-hour deadline to support a new buy-out at

\$250 a share.
These stories were contradicted by the guidance provided both by British Airways, the main equity investor in the proposed deal, and by several Japanese hence nese banks. BA officials seid on Monday

that the UAL buy-out was dead in its original form. They said it would take weeks, rather than days, to structure an alternative proposal, and that it was not certain that a new buy-out would be attempted. They reiterated this

position yesterday.

Reports from Tokyo, meanwhila, suggested that Japanese banks remained sceptical about Citicorp's new \$250-a-share pro-posals. The US bank was said to be offering fatter front-end fees as well as higher interest rates than it originally proposed to

attract Japanese participation. But this did not allay the two main concerns of the Japanese bankers - the lack of sufficient collateral and equity protection for bank lenders, and the possibility of labour unrest at United Airlines. Lex, Page 20

Boeing may delay launch of aircraft

By Paul Betts, Aerospace Correspondent, in London

BOEING, the world's largest but also on the new aircraft's inicommercial aircraft manufac-turer, could delay the launch of its 767X twin-engined passenger aircraft until early next year, as a result of the financial turmor surrounding US airline stocks on

Mr Malcolm Stamper, Boeing's vice chairman, indicated yesterday that the launch of the 767X, which had been expected by the end of this month, "could slide"

Speaking after an address in London to the Conference Board, the leading US business research group, Mr Stamper said the deci-sion hinged not only on Boeing

"It takes two to tango in this business," he added. United Airlines (UAL) has

the potential launch customers of the 767X, a medium to long-rangs wids-body air-craft. Mr Stamper claimed that even

if the sircraft, a key component of Boeing's longer-term commercial aircraft strategy and a com-petitor to the A330 Airbus, were not launched until next year, the company would still meet its target of first deliveries in

Citicorp adds | Amstrad plans include share buy-in

MR Alan Sugar, founder and chairman of Amstrad, the quoted UK electronics company, is to exploit the current low stock market price of his company's shares with a buy-in plan as part of a far-reaching strategy to

return the company to growth and liquidity.

Mr Sugar warned yesterday that he would consider repriva-tising the company unless the City gave it a more appropriate market valuation.

Announcing sharply lower profits for the year to June 30, 1989, Mr Sugar also outlined a series of measures aimed at help-ing Amstrad return to its former rate of growth and level of profit margins. These included:

• Closure of the audio division,

specialise in video, digital televi-sion and satellite television receivers. Mr Sugar believes margins in the andio business are too low and the cost of following fashion there is too high. The move could lead to the loss of between 100 and 200 jobs.

A new corporate structure which will include the formation

report to the Amstrad Group in the same manner as the company's ten overseas subsidiaries. The new structure will free Amstrad's top executives to concentrate on developing new management controls throughout the

company. The company's shares closed at 479 yesterday, down 4p on the day and down from 208p a year ago. This values the company at approximately £267m, snbstantially less than its asset value of £311m and reflects analysts' belief that Amstrad's problems

will not easily be solved in the

The shares have been hit in recent months by the problems the company has experienced with memory chips and disk con-trollers for its professional com-puter ranges and by fears for its sales as a result of high interest

rates.

Amstrad profits for the latest year were £76m, down from the 1988 figure of £160m, on revennes virtually unchanged at £626m. The directors are recom-mending a dividend for the year of 1.4p per ordinary share.

Medicine to stop Sugar going down

Alan Cane looks at proposed measures to revive Amstrad's flagging fortunes

arpaulin and scaffolding surrounds the Brentwood, Essex, headquarters of Amstrad the electronics group.

The paraphernalia is there to place a 10th storey on top of the unprepossessing provincial office

But it serves as an apt metaphor for the restructuring that has been forced on a company which has been one of the glam-our stocks of the 1980s and a symbol of entrepreneurial spirit in Prime Minister Mrs Margaret

Thatcher's enterprise society. For today Amstrad, which reported almost halved profits for its latest financial year, is coming to terms with a crisis of confi-dence, the most visible sign of which is the collapse of its share which is the company which to any the City should have lost so much faith in a company which

only two years ago was one of the UK'a highest fliers in the esoteric world of computers and electronic leisure gadgetry, is not difficult to understand.

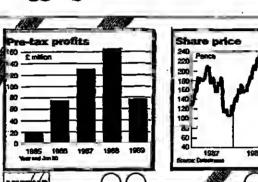
The consensus there is that

Amstrad's years of exponential

growth are ever and that it has some rough times ahead. Surprisingly it is a view at least partly shared by Mr Alan Sugar, Amstrad's shrewd, if rough-hewn, founder and chair-

The part he agrees with is that there are tough times ahead for the company; but he does not doubt that the situation can be

Amstrad's origins are in con-sumer audio, but its fortune is founded on the personal com-puter. In the mid 1980s Mr Sugar demonstrated his nose for a market niche when he created a computer-based word processor with screen and printer that sold for



little more than the price of an electronic typewriter.

It was an instantaneous success. Amstred followed with a series of competent home and business computers, buying the Sinclair name in the process when Sir Clive Sinclair's pioneering home computer company

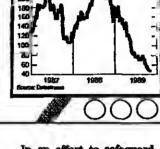
Amstrad has since moved into video, satellite receiver systems and facsimile machines, but compaters are the backbone of the company's turnover. Last year, home computers rep-

resented 16.1 per cent of the com-

pany's sales, and professional computers for the office, 55'4 per Its present plight is the result of a clutch of simultaneous technological and managerial defi-ciencies. In the past 18 months it

has suffered a crippling shortage

now resolved — of computer
memory chips which delayed the
introduction of several important models of business computer. Mr Keuneth Ashcroft, Amstrad group finance director, estimated the direct cost to the company at



In an effort to safeguard chip supplies, Amstrad also bought nine per cent of US semiconductor company Micron for £44m. This stake is now worth only two thirds of what Amstrad paid for

it and Mr Sugar told analysts yes-terday it had been "a lousy deal." The company also suffered from a technical fault in the disk controllers in its "2000" series of advanced personal computers which again cost it some £6m-27m in recall and modification

Mr Sugar's plan to turn the company around depends on a new corporate structure which devolves power to a much greater extent than Mr Sugar, a corporate autocrat, has envisaged before. He is also revising the

company's strategy.

Hs intends to sacrifice short-term profits in a three year programme, to cut expenses, bring down overheads and reduce inventory.

As he noted in announcing yesterday's results: "The short term objective of getting the company in good shape will focus on secur-ing its existing assets and its



Or, as he snapped during an interview after yesterday's meeting with City analysts: "I'm no longer going to chase profits to keep the stock market happy".

has been a feature of Amstrad's balance sheet for the last three

The analysts remain sceptical about the speed with which the company's finances can be improved. They point out that the company still has a stock inventory of £325m - roughly six months production - which has to be shifted through its dealer channels.

There is, they say, a refined form of brinkmanship between the company and its customers. Computers, like strawberries, have a distinct sell-by date or they become obsolete. Amstrad's challenge is to persuade retailers and distributors to take this inventory off its hands at a price which does not deepen the com-pany's crisis.

Japanese company moves to HK

group, is moving its headquarters to Hong Kong and concentrating on developing overseas ontlets. This is believed to be the first

rationalisation of Japan's anti-import distribution systems.

The family-controlled comand the US and for adopting American management practices. Sales abroad account for 35 per cent of group turnover, which stands at some Y190bn (\$1.35bn).

Yaohan aims to raise the over-seas share to 60 per cent by 1997. Yaohan has a maverick reputa-tion – it recently amounced a four-day week for employees, unheard of in worksholic Japan. Its latest move will be wel-comed in Hong Kong, where sev-

changed their domicile to Bermuda ahead of the reversion of the colony to China in 1997.

Last month, when the idea was mooted, a Yaohan official said the bedden the reversion of the colony to China in 1997. the headquarters would stay in Hong Kong for five or six years and then the company would

erty prices now provided an opportunity for business expan-sion.

Mr Wada will move to Hong Kong to bead a new holding com-pany, Yaohan International, which will manage the entire group and hold a 10 per cent stake in Yaohan Departmentstore, the quoted Japanese com-pany. Mr Wada said the group would also use the colony as a base to expand into property development and Chinese restan-

rant operation.
Since the sharp rise of the yen
in 1986, Yaohan has developed a

don and New York. Yaohan has 22 stores overseas.

By lan Rodger in Tokyo YAOHAN, a Japanese stores

time that a Japanese company has shifted its base abroad. Mr Kazuo Wada, chairman, said Japan's law governing large retail chains hinders the expansion of department store groups. He has long been an outspoken critic of this law, claiming that its protection of small, family-owned shops contributes to high retail prices in Japan. The law has also become a target of US government criticism on the grounds that it prevents the

pany, based in a small town 100 miles west of Tokyo, has become famous among Japanese retailers for opening department stores in Hong Kong, Malaysia, Singapore

be far better then. Falling prop-

in 1986, Yaohan has developed a network of suppliers throughout Asia and the US.

Most large Japanese department store groups have concentrated on the domestic market, with only token representation in prestige locations such as London and New York Yaohan has

spoke confidently about the out-look for Hong Kong after 1992; he said the economic position would Ford lifts Jaguar stake to 10.4%

decide whether to move else-where. But Yesterday Mr Wada

By Kevin Done in London

FORD OF the US has raised its shareholding in Jaguar to 10.4 per cent in its bid to gain even-tual control of the UK luxury car

The Ford move strengthens the likelihood of an all-out takeover battle for Jaguar between Ford and General Motors, the world's two biggest automotive groups.

Jaguar, which is battling to maintain at least a semblance of independence, has already rejected the Ford initiative as

unwelcome. It announced last week that it was holding friendly negotiations with General Motors, Ford's arch domestic rival, and said that GM was considering taking a minor-

ity stake in Jaguar.

Four weeks ago Ford announced it was planning to buy an initial stake of up to 15 per cent in Jaguar with the ulti-mate aim of becoming "a major shareholder." It has taken advan-

It said yesterday that by the close of trading on Monday it had acquired or had agreed to acquire 19,035,300 shares in Jaguar, equivalent to around 10.4 per cent of the total Jaguar equity. The Jaguar share price closed at 654p in London yesterday, an increase of 6p, in sharp contrast to the overall fall in London share prices.

Jaguar's discussions with GM "concerning the possibility of the two companies entering into certain manufacturing, marketing and other commercial joint ventures" had been expected to cul-minate in a deal this week. How-ever, agreement has been delayed by the complicated nature of the package, which could involva both the injection of new capital by GM and share purchases in

tage of the slump in world stock prices to buy shares aggressive ly last Friday and again on Monuntil the end of the month.

Jaguar's articles of association limit individual shareholders to a maximum stake of 15 per cent. This ceiling can only be changed with the consent of the Govern-ment, which holds the so-called golden share, and the approval of three-quarters of Jaguar shareholders.

The golden share expires at the end of next year and it is under-stood that Jaguar and GM are unlikely to seek its early removal, as this provides at least some temporary protection from an all-out takeover bid from

GM has said it will increase the initial stake of 15 per cent it is seeking to around 25 per cent — staying shy of the 30 per cent that would trigger a full bid — when the golden share expires.

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WORLD MARKETS IN TURMOIL

US markets regain a sense of proportion

A little worry is good for the bull

AS WALL STREET lost its collective head on Friday over the breakdown of the absurdly over-leveraged United Airlines buy-out, Mr Michael Aronstein, a money manager with Comstock Partners, offered the best and briefest explanation of

what was going wrong:

"The problem with this market is that it can't take a joke."

The joke, of course, was the idea that Citicorp and UAL's management-led consortium could ever have succeeded in pulling off the \$6.8bn buy-out. Now that the market seems to have stabilised, a growing

UK leaders and laggards

queen bee food, emerged as one of the stocks hardest hit on Monday – perhaps because of Sunday press reports that Bar-bara Cartland had lost faith in

the product.
Mr Gerald Simler, Regina's

finance director, seemed untroubled by the drop and pointed out that the shares recovered slightly yesterday.

As in 1987, the market was

led down by companies with few marketable shares, or

those in special situations. Penny shares were worst hit because any movement is mag-

Junior market stocks, which

lagged the larger companies in the crash two years ago, were prominent this time. Of the 20

worst-performing shares on

Monday, more than half were USM or Third Market stocks.

Fountain, shares in which slipped 32 per cent. The retailer of electrical goods was

heading for a fall anyway. After the market closed last

Friday, it had warned of a "sig-

nificant pre-tax loss" for the

year, and the abandonment of

a planned management buy-

Worst hit was Bennett &

nified in percentage terms.

but not for jelly

Investors go for food

number of Wall Street analysts and fund managers, are wel-coming last Friday's stunning 200-point setback as the muchneeded correction which will bring some realism and scepticism back to Wall Street - or remind investors not to forget their sense of humour, as Mr Aronstein might have said.

From this point of view, the events of the past few days have probably increased the ultimate longevity of the bull

out of its retail division.

The oldest platitude in the investors' lexicon is that a bull market needs to climb a "wall

of worry." And that wall is about: the future of leveraged companies in general and of Just two weeks ago, the chairman of a top US invest-ment bank confided over lunch in his mid-town office: "For the first time in my career - and I've been in this business for over 30 years now - 1 just can't see anything on the horizon that really worries me."

In recent months, comments like that have abounded as the perception developed of an economic "soft-landing."
After last week's debacle,

investors now have at least one potential headache to worry

companies in general and of takeover candidates in particu-This has not only deflated

the level of speculation in the market. Far more importantly, it has produced a sense of can-tion and responsibilty among commercial bankers around

Even by the wild standards of LBOs in the US, the United Airlines deal had "chutzpah" and "danger" emblazoned on it from beginning to end.

Perhaps for the first time in history, commercial banks

% CHANGE

were being called on to lend more than a company's total market value, with no mezza-nine financing and with all of

the equity spent on debt refi-nancing and fees.

For the world economy and financial system, the deal's col-lapse was probably good news.

The markets should have been impressed by Japanese banks' ability to overcome their natural herd instinct and call a halt, as Citicorp tried to lead them into a lemming-like

The biggest question now is whether complacency will

return too quickly. Some bearish analysts were argueing yes-terday that Monday's recovery and show of international co-ordination could even add to over-confidence in the medi-

There will now be a temptation to dismiss even the possi-bility of another 1987-style "meltdown" in prices - which
was why many traders were
perversely relieved yesterday,
when Wall Street moved
sharply down instead of continuing Monday's steep climb.

Anatole Kaletsky

NYSE	Gains Monday	October	
COMPANY	CLOSE	CHANGE	% CHANGE
Germany Fund Conagra Austria Fund Tumdent Computers Citicorp Brazil Fund Hilton Hotels Reebok Inf'l Dow Jones & Co Alified-Signal	11 5/8 36 7/8 13 1/8 24 3/4 22 1/2 11 5/8 94 1/2 16 1/4 34 5/8 35 3/8	+1 5/8 +4 7/9 +1 5/8 +2 7/8 +3 1/2 +1 1/4 +9 1/2 +1 5/8 +3 3/8 +3 3/8	+ 18.3 + 18.2 + 14.1 + 13.1 + 12.1 + 12.0 + 11.2 + 11.1 + 10.8 + 10.5

NYSE Price Percen	tage Los	ers Friday	October 13
COMPANY	CLOSE	CHANGE	% CHANGE
Hilton Hotels Owens Corning Mexico Fund	65 25 1/4 10 3/8	-21 1/2 -5 1/2 -2 1/4	-20.2 -17.9 -17.8
Integrated Resources Pid Consgra		-3/8 -6 3/4 -4 1/4	-17,5 -17,4 -16,5
Orion Pictures Resbok Int'l Cilicorp	14 5/8 29	-2 7/8 -5 1/2	-16.4 -15.9
American Medical Infi	20	-3 3/4 -1 3/4	-15.8 -15.6

US leaders and laggards

Blue chips prosper in selective recovery

WALL STREETS recovery this week has been highly selective. Airline stocks, which have soared this year on a wave of highly leveraged takeover bids, have taken the most severe beating and are probaly now trading at fair value based on their earnings fundamentals.

AMR, the parent company for American Airlines, continued to reel yesterday after Mr. Donald Trump withdrew his \$120 a share takeover offer.

UAL, the trigger for the tumultuous events of the last three sessions, was suspended again yesterlay because of a

again yesterday because of a deluge of sell orders because of indications that Japanese banks may not be willing to finance a new bid even at a lower price.

The hotels and entertainment sectors, both eutperformers this year because of take over speculation, were hit hard and have not recovered significant cantly Hilton Hotels and Holi-day Corp, were among Friday's largest losers, only partially rebounded on Monday and

were again under pressure yes-terday. So were CBS and Para-mount Communications.

Blue chip issues were swept along in the selling on Friday if only because they are the most visible and the most liquid. They recovered strongly on Monday, even as the over-the-counter market came under more selling pressure.

Janet Bush

Who knows which way the markets will bounce? The last few days have seen shares staring into the abyss and staging rallies - dealers screens a rapidly changing picture of red and blue

CITY market-makers may feel they have aged dramatically in the last few days, but they have not been buying Royal Jelly, supposedly vested with rejuvenating powers. Regina Health & Beauty Products, which markets the gueen hee food, emerged as one Delaney Group, the shopfitter, which is troubled by the poor retail climate and a boardroom STOCK split. Its shares — already slip-ping before Monday's correc-tion — lost more than 30 per

Following Bennett down was International Media Communication Cheisea Articans Aitken Hume Continental Microwave Brunning Group Savoy Hotel 'B'

STOCK

Bennett & Fountain Delaney Group Rockfort Group

Far East Recources

cent, pushed down by a single seller's attempt to officed some stock in a tight market. Through one of those quirks which upsets the most logical tables, the markets made international Media Communica-

tions the best-performing share on Monday, up %p from an all-time low of 6%p. Market fears proved well-founded yesterday when IMC announced it would be reporting a loss after a recent acquisition's failure to meet warranted profits. More solid reasons lay behind the performance of Ait-ken Hume, the financial ser-

vices group which announced a return to interim profits last Friday. Aitken's shares, not always the most comfortable investment, showed a 5 per cent rise to 58p on Monday, and crept up 3p yesterday. Mr Jonathan Aitken, chair-man, played down the rise, but it was particularly creditable given that financial services shares .were hardest hit in

Monday's volatile market.

Analysts attribute the sector's weakness to memories of 1987, when fund managers and discount houses which make Lincoln House Regina Health & Beauty SIX BEST UK STOCKS % CHANGE +6.67 UK WORST (% FALL)

SECTOR

Other finance

PRICE

SIX WORST UK STOCKS

UK BEST (% FALL) SECTOR Food retailing Mining finance Oil and gas

up the index of other financial companies were savaged. The league table of sectors was topped and tailed by financial groups, with merchant banks predictably bringing up the rear, while life and composite insurers - supposedly resistant to economic downturns were among the most resilient,
"Miscellaneous" stocks, including BAT Industries and underperforming security and alarm
companies, were third in the
list of sliding sectors. For those looking to sift logic out of Monday's chaotic

trading, there were only a few

predictable trends, such as the

underperformance of agencies, property and construction But the apparent resistance of chemicals companies, held up by a surprising amount of support for ICI, puzzled ana-

lysts. If nothing else Monday's trading provided evidence that, when all else falls, investors will seek solace in the tradi-tional way: food retailing, and brewing and distilling sectors

both made the top 10. Andrew Hill

Hong Kong Singapore

Bouncing back with no regrets

A 10 PER CENT one-day fall in A 10 PER CENT one-day fail in prices on any stock market takes some explaining, but Singapore's brokers, exchange officials and government are nevertheless in relaxed mood after Monday's mayhem.

Even before yesterday's recovery enabled the Straits Times Index to recoup 40 per cent of the previous day's 142.84 loss - and close 56.79 higher at 1341.83 observers were falling over themselves to rationalise Monday's

events.
The blame was put squarely on "over-reaction" among institutional investors, with heavy sell orders from overseas fund managers contribut-

seas fund managers contribut-ing to the decline.

Monday's fall was the third-higgest in the history of the Stock Exchange of Singapore, eclipsed only by the 169.14 col-lapse on Black Monday, and the 261.78 plunge on the fol-lowing day known becally as lowing day, known locally as Terrible Tuesday. More significantly, the latest

decline was the largest among Asia's big exchanges after Malaysia, and much steeper than the 6.5 per cent fall in Hong Kong's Hang Seng Index. Singapore brokers base their charges of over-reaction on the charges of over-reaction on the strength of the island republic's economic fundamentals. They also play down the effects of the fall for the broking industry, whose financial position has been revitalised since the 1985 collapse of Pan Electric, a local industrial group, temporarily shut the exchange and brought some smaller brokers to the brink of exchange and brought some smaller brokers to the brink of

smaller brokers to the brink of collapse.
The brokers pleas' have considerable validity, and were taken up by Dr Richard Hu, Finance Minister, yesterday. Looking back on the 1985 crisis and the worldwide crash two years later, he said: "This time round there is much less concern. Stockbrokers are much better capitalised."
There were, too, amule tech-

There were, too, ample technical reasons for Monday's setback. The STI index had back. The STI index had reached a post-crash high of 1431.85 only last Thursday, fuelled by the island's broadbased economic growth and a buoyant property sector.

Yesterday it seemed investors were taking brokers' stricture.

tures to heart. Monday's, record trading trading volume of 212.5m shares was surpassed by a tad as institutions piled back into many of the property and other stocks that had been sold amid profit-taking one day earlier.

ing one day earlier.

In the short term, the chief victims of Monday's events could be the domestic banks whose entry into the broking business was actively encouraged by Prime Minister Lee Kuan Yew's government and the ever-watchful Monetary Authority of Singapore, which regulates the financial sector. Long-term, Monday's price fall may enable Singapore's financial regulators to con-sider themselves vindicated in

their generally cautious poli-

Andrew Baxter

A former weak link holds tight

HONG KONG has changed a lot in two years. As the past few days have shown, it is no longer one of the weakest links in the chain of stock exchanges which make up the global secu-rities market place. Whereas in 1987 the Hong

Kong Stock Exchange gained worldwide notoriety by closing for four days, and the Futures Exchange collapsed in a HK\$1.8bu (US\$230m) heap of bad debts, this week the stock market took the Wall Street shock waves in its stride, "Our much since 1987. There was no need even to consider a closure of either the stock market or

the futures market," Mr David Nendick, secretary for mone-tary affairs, said yesterday. The market fell by just 6.5 per cent on Monday, a decline exceeded by markets in Singa-pore, New Zealand, Malaysia, and Australia. Yesterday, it

recovered half its losses.
In fact, this week's problems were fairly minor for a market which survived a much worse local crash in June. After the

tanks rolled into Tiananmen Square, the Hang Seng Index collapsed by 35 per cent.

According to Mr Robert Owen, chairman of the Securities and Futures Commission: "In an ironic way it was quite helpful. It put the structure under severe test." All margin calls were met and no broker went bust.

went bust. Last weekend Mr Nendick went on local television in an attempt to calm public fears. But yesterday he claimed to have "not the slightest con-cern" about how firms had

heen coping.
"A series of reforms has been implemented since the 1987 crash, and the arrests of senior stock exchange officials which followed it (the trials are still

pending).
In October 1988 a newly constituted Stock Exchange council was installed, on the basis of a new voting structure which broadened representa-tion in what had formerly been regarded as a club run by a

small group of insiders. Early this year the Futures

Futures Commission assumed wide responsibilities, backed by powerful legislation.
Tensions persist, however.
The Stock Exchange and the SFC are at loggerheads over the Exchange's proposal to move from a one-day to a two-day (T plus 2) settlement basis. This is regarded by officials as not long enough to attract international interest, and to reflect the still excesand to reflect the still excessive influence exerted by small However, the Futures Exchange is limping along at the Futures

May the new Securities and

Futures Commission assumed

1,000 to 1,500 contracts a day. It needs more like 4,000 to break On the Stock Exchange, volume is a little more satisfac-

tory but one important reason for this week's resilience is simply that share prices have only to a limited extent managed to join in the surge of share prices which has been experienced around the region.

Barry Riley

The UK's largest dedicated MBO fund is now operational. Who's next?

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Candover are pleased to announce that the Candover 1989 Fund has commenced business and made its first invest-

With the backing of Candover's expertise, experience and capital, the Kenwood management has successfully concluded a £54 million buy-out from Thorn-EML

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The new fund is the largest ever raised solely dedicated to larger management buyouts in both UK and Europe with over £300 million of equity to invest.

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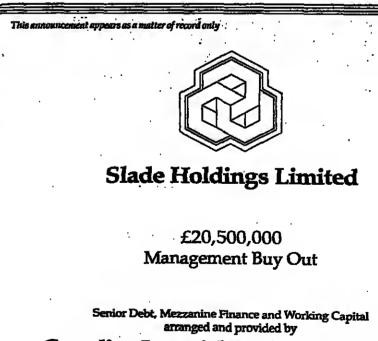
Candover's expertise is not purely in the UK. The company has formed strong associations in Europe with Joint Venture companies in France, the Netherlands and Germany, all of whom may well find opportunities for the new Fund in their own markets.

We Should Start Talking

There has never been so much demand for MBO investment and advice and we are continually discussing potential management buy-outs and delistings with company directors and managers, both buyers and sellers, as well as advisers. Especially now our new fund is in operation.

If you think you could be next, contact Roger Brooke or Stephen Curran on 01-583 5090.





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tional gains.

Consolidated net profits rose
2.8 per cent to FFr133.8m
(\$21.2m) in the six months to
June, as against FFr130.1m in

the same period of last year. This included the first contri-

This included the first contri-butions from acquisitions made since then, including Salvat, the Spanish publisher, bought in September 1988, and Ferry-Peter, France's third largest printing company, acquired in March.

After exceptional profits, however, the rise was far

however, the rise was far steeper, from FFr124.5m in the first half of last year, to

The group published no other details, but repeated its earlier forecasts that the full

year's profits would "be of the same order" as the FFr322.7m net achieved in 1988.

Hachette has recently been the subject of unexpected bourse activity following a

move by Montana Manage-ment, a Panama-based man-agement group, to huild an 8.43 per cent stake in the com-

Yves St Laurent

By William Dawkins

Co op unveils plans for DM350m rights issue

By David Goodhart in Bonn

CO OP, the troubled West fresh capital means Co op has German retailer which drew back from the brink of bankruptcy last month, yesterday unveiled plans for a far-reaching capital reconstruction aimed at raising DM350m (\$188m) in fresh funds.

The company proposes to write down shareholders' capital from DM450m to just DM14,000, and then have a rights issue of 14m new shares

The new shares are to be initially taken up by Co op's house banks DG Bank and Bank for Gemeinwirtschaft. Combined with a DM1.7bn debt write-off - out of total borrowings of DM2.6bn - the

reached its goal of finding the funds necessary to re-establish itself as a going concern. Existing shareholders who had their shares suspended at nearly DM300 last February

nearly DM300 last February
will be offered three new
shares for 17 old ones. This values their original shares at
around DM44.
Some 72 per cent of Co op is
owned by the four banks which
have been leading the rescue
effort for the company —
Ameterdam Rotterdam Bank

would pay about DM200m to holders of options and other debt instruments the company has outstanding.

Most observers still believe that, despite the restructuring, Co op has only a short-term future in its present form.

Talk of takeover is said to be premature but there has already been some informal contact between the company and the Berlin-based Federal

Cartel Office.
Co op is Germany fifth big-Amsterdam-Rotterdam Bank, Swiss Bank Corporation, Security Pacific National Bank of the US, and Svenska Handelsbank International.

Co op also said yesterday it

Trelleborg surges to SKr1.76bn

turn into subsidiary companies

from January with the long-term aim of offering

around 50 per cent of each to shareholders, via an open mar-ket transaction.

Mr Frederik Arp, head of Trelleborg's ruhber and plas-tics division, said the company intended to invest SKr55m in a

new tyre plant for its subsid-

iary Bergougnan at Ghent in Belgium, which would mean a

TRELLEBORG, the Swedish industrial group with interests in mining, rubber, plastics and chemicals, reported a 50 per cent increase yesterday in profits (after financial items) for the first eight months of the company also announced plans to reorganise its building and distribution divisions, which it proposes to into spiediers companies the first eight months of the year, to SKr1.76bn (\$272m). Sales rose to SKr17.19bn from

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Looking ahead, Trelleborg said profits of 1989 as a whole would total around SKr2.6bn, up 30 per cent on 1988.

The forecast excludes any share of profits accruing to Trelleborg from Falconbridge, the Canadian nickel producer acquired earlier this year in alliance with Noranda. Trelleborg pointed ont Falcon-

Outokumpu to

shut steel mill

30 per cent growth in capacity. **Kymmene advances 13%**

By Enrique Tessieri in Helsinki.

By Enrique Tessieri in Helsinki. KYMMENE, Finland's largest paper and pulp company, has increased net profits by 13 per cent to FM858m (\$200m) for the OUTOKUMPU, the Finnish base metal group, says its cold rolling mill production in the northern Finnish city of Tornio could-be interrupted by the middle of next, week if a wildfirst eight months of the year, on a 14 per cent advance in sales to FM5.43bn. Gross profits were up 8 per cent at FML57bn, while profits before tax and extraordinary

cat strike by 128 workers is The Tornio works was forced. items advanced by 17 per cent to shut down its hot rolling to FM898m. Actual operating profit rose by just 2 per cent to the strike which began on FMI.08bn. FM357m. Sales rose 14 per cent to FM5.43bn.

. . - - -

favoured investing ahroad because of rising energy and labour costs in Sweden. Trellehorg said it had achieved strong gains in sales and profits in all its sectors, except chemicals, during the

He added the company

first eight months.

The most impressive growth was in the mining and metals division where sales rose to SKr6.09bn from SKr4.42bn and profits after depreciation climbed to SKr969m from

Building and distribution increased turnover to SKr5.83bn from SKr3.08bn and profits to SKr241m from

months weakened, partly due to the introduction of two new paper machines and four coa-ter units, and partly as a result of the revaluation of the

markka in March this year.

Earnings per share for the eight months rose to FMILL

from last year's FM10.

Metsa-Serle, another paper

and pulp company, reported

eight-month profits after finan-cial items of FM361m against

sales up 20% By George Graham

YVES SAINT LAURENT, the YVES SAINT LAURENT, the French fashion and perfumes company floated on the Paris stock exchange in July, has reported first-half profits of FFr49m (\$7.7m), compared with a loss of FFr35m in the first half of 1988.

M. Blosen Rossel, the controls

Mr Pierre Berge, the group's chief executive, said sales were 20 per cent up in the period at FFr1.29hn, adding that the seasonal structure of the perfume division, the main activity carried out directly by Yves Saint Laurent, meant that earnings were traditionally focused heavily on the second half of the year.

Acquisitions by Hachette Foreigners buy into Greek market

Kerin Hope on the complexities of a growing Mediterranean trend

F oreign takeovers of local companies have become a regular feature of the Greek business scene as northern Europeans expand their markets in the Mediterranean and the post-war generation of HACHETTE, the world's third largest publishing group, yesterday unveiled a gentle rise in trading profits for the first half of the year, hut a near doubling of profits after exceptional crims Greek businessmen approaches retirement.

The first wave of acquisitions came more than two years ago after the former Socialist government removed a major hurdle to foreign investment by allowing profits and interest to be freely repa-triated. At the same time, pri-vate sector profits showed a sharp rise after several years

of stagnation or decline.

There was undisguised surprise in 1967 at Nestle's takeover of Loumides, a struggling Greek coffee and chocolate producer, for a reported \$7m. A year later, when another Swiss group, Jecobs Suchard, spent \$8m to acquire 60 per cent of Pavlides, an equally old-fashioned chocolate maker, a takeover pattern had begun to establish itself.

"Greece is being included in international company strategies for consolidating their operation in southern Europe. For consumer products, it's not just a company that's acquired hut its distribution network too," said Mr Dimitris Pavlakis of Alpha Finance, one of sevdealing in mergers and acquisi-tions. Alpha Finance is controlled by Credit Bank, Greece's biggest private bank. Samuel Montagn, the UK mer-chant bank, is a minority

shareholder.

Good banking connections are an important part of the takeover husiness. "A Greek company owner will confide in his banker first if he's thinking of selling out," said Mr Paul Tsouloufris of Eurocorp Euroholdings, which has links with



Metara Distilleries: bought by GrandMet for \$18m

Banque Worms in France and with Midland Bank in Greece. No official statistics are available but more than 40 Greek companies are known to have changed hands since the beginning of 1987, two-thirds of them bought by foreigners.
According to estimates from
Top Invest, another Greek
acquisitions specialist, 15 Greek food companies have become involved with foreign groups in different ways, ranging from full acquisition to minority participation.

Prices are not made public,

but the Athens business grapevine is thought to have a fairly accurate idea: the average price of recent deals is though to have been around \$4.5m, sometimes rising above \$10m. Food and heverage husinesses are still in greatest demand. But there is growing interest in companies producing household goods, cosmetics and toiletries, which are also, as one consultant put it, "areas

where having a local brand is essential to getting a space on the supermarket shelf."

Other sectors are expected to undergo radical change and development after 1992. French insurance groups, notably Assurance Générale and Paris Union, have bought into Greek insurance companies. This is in anticipation of rapid expansion in a country where life insurance was almost unheard of until 10 years ago. A clutch of botels, both in Athens and the major resort islands, has come on the market, triggering

Japanese inquiries. There has been little nega-tive reaction to foreign take-overs, although rumhlings of complaint were heard earlier this year when Grand Metro-politan of the UK took over Metaxa Distilleries, the brandy producer and one of Greece's most prestigious companies. Along with a 30 per cent stake in Kaloyannis Bros. which produces the leading ouzo brand, Grand Met acquired Metaxa for a reported \$18m.

The Socialists raised no opposition to the deal and there has been no indication so far that foreign takeovers would be in any way restricted should a Conservative government take power after next month's election.

reek companies, too, are staging takeovers, some with a view to revamping a company and sell-ing it when the unified Euro-pean market becomes reality. Fage, which distributes its brands of yoghurt widely in other European Community other European Community countries, has acquired half a dozen small companies making biscuits and pastry products as well as packaging over the past

Mergers, bowever, tend to be rare, partly from cultural con-

siderations. "I think we don't get mergers because it would be almost impossible for two Greek company owners to get along together. They just wouldn't work," said one acquisitions specialist.

The sellers are, for the most part, managing directors of family-owned companies, who. together with close relatives, hold a controlling interest. Many started out in the pioneering days of Greek industry in the 1950s and feel disin-clined to make the adjustments necessary to compete in the

hey have been slow to hire professional man-agers and their children are usually not interested in

taking over.
"The problem was succession . . . 1 only have daughters. I'd been running the company for 35 years after taking over from my uncle and I was frankly relieved to be able to sell out," said the director of a packaging company taken over earlier this year.

Tight family controls rule out hostile takeovers, even of companies quoted on the Athens stock exchange, since groups of relatives are nearly always the majority sharehold-ers. They also pose problems for prospective buyers when it comes to estimating a company's value. Balance sheets prepared for the tax authorities can be misleading: what matters are the figures in the managing director's notebook.

Our advice to buyers from abroad is to be patient and take trouble over the human relationships involved. They must make an effort to under-stand the peculiarities of the from Mr John Fourlas, who runs Top Invest.

Orkla Borregaard improves to NKr257m

By Karen Fossii in Oslo

MODESTLY higher profits before assets disposals and extreordinary items were reported yesterday by Orkla Borregaard, the industrial and investment group which is Norway's sixth biggest com-

pany.

For the first eight months of 1989 group profits before asset

disposals improved to - NKr7m against NKr9m loss improved chemical pulp perfor-NKr257m (\$37.2m) from - as a result of a weak adver-NKr243m in the comparable tising market. Consumer prod-tising market. Consumer prod-1988 period. Including gains on disposals - which jumped from NKr79m to NKr191m profits totalled NKr448m, against NKr322m last time.
The group's media operations made another loss

ncts profits dipped to NKr175m from NKr191m, despite prog-ress in the Norwegian consumer goods market hut the process industry division increased profits to NKr128m from NKr80m, helped by an

realised sales profits of NKr219m compared with NKr149m while booked profit nearly donbled to NKr206m from NKr112m. The market value of the group share port-

On October 27th SIMEX adds new interest to trading with the launch of the new Euroyen Interest rate.

This thucky launch is in response to growing demand from the banking and financial communities of the world. as the Japanese Yen increasingly becomes a major transaction, investment and reserve currency.

And SIMEX is well-positioned to meet this demand. Since we began trading in 1984, our trading volume has

SIMEX LAUNCHES NEW FUTURES

been on the rise. From 421,225 contracts in a year, to well over that amount in a single month today. This can only be attributed to our deep commitment to innovation,

efficiency and integrity. That's the kind of commitment the SIMEX Euroyen futures contract will receive. The contract is based on a threemonth offshore Japanese Yen deposit interest rate. This enables financial and business to stitutions to better manage

interest rate volatilities related to year-based assets and Rabilities. With an already established and highly liquid SIMEX Eurodollar futures market, second only to the Chicago Mercantile Exchange, the trading of Euroyen furnres will siso serve to facilitate the development of the Eurodollar-

Euroyen interest rate spread market. The SIMEX Euroyen futures will be traded in line with Singspore's rapidly expanding offichere yen market. Backed by our reliable and efficient clearing system. So, whether you're a hedging, trading or spreading strategist,

ample opportunities await you here. Best of all, to make trading at SIMEX even more costeffective, we are making special provisions for margin requirements for our Euroyen-Eurodollar spreads.

So join us from October 27th. With so much going for Euroyen futures, we're confident it will be another smashing success. Send for our free Euroyen brochure by climping the coupon. Or call (65) 535-7382

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STORA is the largest forest products company in Europe and is one of the leading companies worldwide in the markets for pulp, newsprint, fine papers, packaging paper, building materials and interior products.

The company, whose headquarters are in Falun, Sweden, has operations in 50 countries and a workforce of 54,000, of whom 29,000 are employed outside Sweden.

Profits improve by 20% to SEK 2.4 billion in first 8 months

The STORA Group's profit after net financial items improved 20 per cent to SEK 2,446 m. (2,034).

Invoiced sales rose 7 per cent to SEK 27,170 m. (25,484).

In the Group's primary market of Western Europe, demand for forest industry products remains favourable. The market for pulp, which has developed well since 1986, is still stable. Demand for newsprint is increasing in Europe, although the North American market has suffered from some stagnation. Trends for the packaging paper and board product areas remain favourable, and STORA, through Papyrus, strengthened its position in the European fine papers market. Against this background, and as a result of increased deliveries from recently completed investments, the operating profit of the Group's forest industry sectors improved by slightly more than SEK 600 m.

Income Statement	Eight months		
	1989	1988 Proforma including Swedish Match Jan-Aug	1988 Reported amounts including Swedish Match May-Aug
	(SEK millions)	(SEK millions)	(SEK millions)
INVOICED SALES	27,170	25,484	19,848
Operating expenses	-22,679	-21,664	~16,501
Share in results of associated companies	68	34	39
OPERATING PROFIT BEFORE			
PLANNED DEPRECIATION	4,559	3,854	3,386
Planned depreciation	-1,409	-1,296	-1,037
OPERATING PROFIT	3,150	2,558	2,349
Net financial items	-704	-524	-345
PROFIT AFTER NET FINANCIAL ITEMS	2,446	2,034	2,004
Extraordinary income and expenses	180	-141	-141
PROFIT BEFORE APPROPRIATIONS AND TAXES	2,626	1,693	1,863
Of which, minority share	191	176	203

Forecast for the full year 1989

Market conditions for forest industry products are expected to remain generally favourable during the remainder of 1989. However, it is expected that demand will weaken somewhat further for constructionrelated products.

Against this background, and taking into account an increased interest rate level, it is anticipated that profit during the final four months of 1989 will correspond with the favourable results achieved during the equivalent period of 1988. Accordingly, it is estimated that profit for the full-year 1989, after financial income and expenses, will amount to approximately SEK 4,000 m.

Application for share listings in London and Frankfuri

STORA has announced its intention to apply to the Council of the International Stock Exchange in London and to the Frankfurt Stock Exchange for all the B Free shares to be listed on those exchanges.

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This announcement appears as a matter of record only.

KLIVI Royal Dutch Airlines

U.S. \$97,650,000

Cross-border lease financing of Three Boeing 737-400 Aircraft

Citibank, N.A. and Citilease Co. Ltd.

acted as advisors, structured

and arranged this transaction

London-Tokyo-Amsterdam

September 1989

CITICORP

Yamanouchi Pharmacentical Co., Ltd.

U.S. \$50,000,000

2¾ per cent. Convertible Bonds due 2000

Pursuant to the Trust Deed relating to the captioned Bonds, it is hereby notified that Yamanouchi Pharmaceutical Co., Ltd., at its meeting of the Board of Directors on October 2, 1989, determined an issue price of ¥3,764 per share in respect of 15,000,000 shares of common stock offered in Japan and to be closed on October 20, 1989 which will cause the conversion price of the captioned Bonds to be adjusted with effect from October 21, 1989 because the market price of shares as ascertained pursuant to the Trust Deed was ¥3,811.3 per share. The conversion price so adjusted will, upon its determination, further be notified.

Yamamouchi Pharmaceutical Co., Ltd. 3-11, Nihombashi-Honcho 2-chome, Chao-ku, Tokyo 103, Japan



£100,000,000 Floating Rate Notes Due 1998 (Issued by Anglia **Building Society**)

lotice is hereby given that the Notes will bear interest at 153/16% per annum from 17 October, 1989 to 17 January, 1990.

Interest payable on January, 1990 will amount to £191.40 per £5,000 Note and £9,570.21 per £250,000 Note.

Morgan Guaranty Trust pany of New York

Notice to Noteholders Prospect International High Income Portfolio N.V.

Up to U.S. \$82,500,000 Senior Floating Rate Notes due 1998

Interest Rate for the period from 14th October, 1989 to 14th November, 1989 is 9.1125%. The Floating Rate Note Interest Amount payable on 14th November, 1989 is U.S. \$7.85 per U.S. \$1,000.

(of which U.S. \$41,250,000) Notice is hereby given that the

INTERNATIONAL COMPANIES AND FINANCE Merrill

Third-quarter reverse for Citicorp

By Anatole Kaletsky in New York

CITICORP, the biggest US commercial bank, reported a fall in its third-quarter earn-ings despite its decision not to follow other major banks in raising its reserves for losses in Third World countries.

Citicorp's net income fell to \$358m or 99 cents a share, down 9 per cent from the \$394m or \$1.13 it reported a year ago. The most important reason for the decline was a higher tax charge. The bank said its effective tax rate in the quarter was 42 per cent, com-pared with 34 per cent a year ago. Pre-tax income increased

Abitibi

profits

slide 69%

ABITIBI PRICE, the big pulp and paper group controlled by the Reichmann family of Toronto, suffered a 69 per cent drop in profits in the third quarter as newsprint markets softened and the Canadian do

lar rose further against the US

Currency.
Third-quarter profits were
C\$13.6m (US\$11.6m), or 18 cents

a share, down from \$44.5m or

a share, down from \$44.5m or 61 cents a year earlier, on revenue of \$816m, against \$813m. Nine-month earnings were \$68.7m or 92 cents a share, against \$143m or \$1.98, on revenues unchanged at \$2.5m. Abitibi-Price, still narrowly the world's largest newsprint producer, exports most of its production to the US, but for the past three years it has been trying to diversify into higher value paper products.

value paper products.

• MacMillan Bloedel, the

Canadian paper group con-trolled by Noranda, attributes lower earnings in the first nine months of the year to slacken-

ing newsprint markets, a stron-ger Canadian dollar and rising

operating costs.

Nine-month profit was
C\$207.1m (US\$178m) or \$1.92 a
share, down from \$256.6m or
\$2.40 a year earlier. Sales were

\$2.48bn against \$2.47m. The fig-ures are before preferred divi-

By Robert Gibbens

by 4 per cent to \$619m. Citicorp said its results "continued trends seen throughout the year" in its mix of businesses. On the positive side, these included strong profits from its global consumer bank-ing operations, including local currency banking in Third World countries. Citicorp's

worldwide net income from consumer operations increased by 27 per cent to \$218m.
In contrast, Citicorp refered to "relatively flat, sometimes choppy" corporate finance and trading activities in the devel-

PEPSICO, the world's second largest producer of soft drinks, yesterday announced an 11.5 per cent increase in third-quarter net income and forecast that earnings per share would rise more than 15 per cent in 1989, despite the diluting impact of a series of big strategic acquisitions.

The suburban New York

The suburban New York company last summer bought the British snack food companies Walkers and Smiths Crisps for \$1.2500 and it has

been aggressively buying bottl-ing operations as part of an industry rationalisation. Third-quarter net income

rose to \$269.3m from \$241.6m, on net sales up 25 per cent at

\$3.9bn. Earnings per share were up 12 per cent at \$1.02. Nine-month net income

totalled \$699.3m, np 22 per

Wall Street's leading invest-ment banks, yesterday reported nearly doubled third-

quarter earnings, helped by a jump in revenues from securities trading and a large gain from the restructuring of one of its equity investments in US

By Martin Dickson

Last week, Citicorp was caught at the centre of the Wall Street panic over the financing of a proposed United

Airlines buy-out.

The corporate financing and other non-consumer businesses in OECD countries produced profits of \$188m, down 26 per cent from last year. However, the wholesale banking busi-nesses in developing countries made profits of \$99n, up 110 per

to developing countries again produced substantial losses of \$70m after tax. This compared

PepsiCo sees 15% gain for year

cent, on revenues ahead 28 per cent to almost 10.5hn and earn-

ings per share up 21 per cent at

PepsiCo said that, excluding the impact of acquisitions and

the impact of acquisitions and last year's \$9.4m pre-tax loss on the sale of a foreign winery, operating profits rose 20 per cent in the third quarter, with sales up 15 per cent.

Operating margin improvements in each of the group's three businesses — soft drinks, snack foods and restaurants — had contributed to the performance, with particularly good volume growth in snack foods and restaurants.

Soft drinks operating profits rose 36 per cent to \$205.7m on

sales up 26 per cent at over \$1.5bn, though stripping out recent acquisitions and divesti-tures produced operating prof-

pal rose from \$103.9m to \$186m.

Morgan Stanley has been one of the leading Wall Street

proponents of so-called "mer-chant hanking" under which

banks have, over the past few years, taken equity interests in

corporations for investment

The bank's revenues from

Morgan Stanley profit soars

with a net loss of \$80m a year

In terms of the conventional breakdown of businesses between lending and other operations, Citicorp's net interest income was \$1.88bn, up 5 per cent. Fees and commissions of the conventional conventional commissions of the conventional c per cent. Fees and contains sions grew by 10 per cent to \$1.09bn and trading account income jumped by 89 per cent to \$68m, but foreign exchange profits fell 37 per cent to \$89m.

The bank's lending business

by lower volume

Non-interest expenses increased by 10 per cent, largely because of investments in the credit card and interna-

cent ahead at \$1.3bn.

\$583.710_

interest and dividend revenue

totalled \$953.8m, against

Consoldated net income for the nine months was \$294.4m

or \$7.40 a share, compared with

\$286.3m er \$7.41m in the same

period of 1988. The bank said the balance and mix of its busi-

taining earnings momentum.

Mergers and acquisitions activ-

ses was the key to main-

drop in third-quarter net earn-ings to \$41m, compared with \$65.6m in the same period of The figures underline patchy trading on Wall Street. Mr William Schreyer, chairman, said the results "reflect industry-wide softness in some of our core business activities. The lower volume of underwriting activity and principal transactions were partially offset by revenue increases from commissions and asset management fees."

MERRILL LYNCH, one of Wall Street's largest securities houses, reported a substantial

Lynch hit

By Martin Dickson

in New York

The results included a third-quarter net loss of \$2.2m, from the discontinued operations and disposal of its real estate brokerage subsideral estate iary Fine Homes International, which compared with net earnings of \$9.5m from FHI in the

its up 12 per cent and sales 7
per cent ahead. The main factor behind the growth was
improved operating margins
and higher pricing in the US.

Snack food operating profits
iumped 30 per cent to \$211m on
sales 27 per cent ahead at
\$1.1bn. Excluding the Smiths
and Walkers acquisitions, operating profits rose 25 per cent
on sales 16 per cent ahead.

Domestic volume for PepsiCo's Frito-Lay brand was
ahead by 7 per cent. internaings of \$9.5m from FHI in the same period of 1988.

Net earnings from continuing operations totalied \$43.2m in the third quarter, down from \$56.1m in the same period the previous year, with earnings per share of 36 cents, down from 49 cents.

The quarter consisted of 13 weeks of operations, compared with 14 in 1988. Total revenues in the period rose 10 per cent to \$2.8bn from \$2.6bn.

Net earnings in the first nine months from continuing operations totalied \$144.4m, compared with \$164.1m in 1988.

Commission revenues in the third quarter advanced 21 per Co's Frito-Lay brand was ahead by 7 per cent international volume — stripping out the UK acquisitions — rose 40 per cent in the quarter.

PepsiCo's worldwide restaurant earnings — it owns the Pizza Hnt, Kentucky Fried Chicken and Taco Bell chains — rose 25 per cent in the quarter to \$139.1m on sales 22 per cent ahead at \$1.3bm.

third quarter advanced 21 per cent to \$463m, reflecting increases in share prices and trading volume and strong mutual fund sales.

Principal transaction reve-mes declined 19 per cent to \$315m, reflecting reduced trading revenues in fixed income securities.

Investment banking revenues declined 22 per cent to \$297m, due primarily to lower levels of equity and municipal underwritings.

Security Pacific ahead by 10% By Martin Dickson

SECURITY PACIFIC, the California-Dase ter net income of \$185.1m, up 10 per cent on 1988's corresponding \$167.9m, with earnngs per share up 5 per cent to

Nine-month earnings were up 17 per cent at \$548.9m, with earnings per share up 13 per cent to \$4.67.

Net interest income in the third quarter was \$727.9m, up 8 per cent, while non-interest income was \$457.1m. down 6 per cent on the same period of last year, which included a \$52m pre-tax gain from the sale of Hong Kong banking

sale of Hong Long Danking operations.

NCNB, the North Carolina bank which is expanding very rapidly through the Southern US, said its earnings rose by 144 per cent in the third quarter, to \$143.5m, with earnings per share more than doubling to \$1.45, James Buchan adds.

companies. Earnings totalled \$101.1m or \$2.54 a share, compared with \$52.4m or \$1.31 a share in the same period of 1988, while net this activity jumped from \$2.7m in the third quarter of 1988 to \$56.7m, thanks to a \$56.2m gain from the restruct-uring of Burlington Holdings, a ity continued at high levels and its global sales and trading business again benefited from its strong market position, par-Third-quarter profit was C\$65.4m or 60 cents, down from revenues were \$582.4m, against Revenues from investment banking dipped from \$204.9 to \$194.2m, while revenues from textile group. Commission revenue rose from \$50.8m to \$60.6m while ticularly in the areas of inter-national equity related prod-ucts and foreign exchange. 770.5m or 66 cents a year earlier on sales of \$818m, against

MORGAN STANLEY, one of trading securities as a princi-

MCI registers further strong growth By Martin Dickson

MCI COMMUNICATIONS, the second largest US long distance telecomunications carrier, yesterday reinforced its strong growth over the past two years with a 60 per cent jump in third-quarter earnings.

Earnings totalled \$158m, against \$99m in the same period of last year, on revenue up 23 per cent at \$1.67bn. Earn-ings per share increased for the ninth consecutive quarter to 62 cents, from 38 cents a

year ago.
Operating income rose to \$269m from \$171m as operating margins continued to improve, reaching 16.1 per cent, up from 12.6 per cent

The company said residen-tial traffic volume had grown faster than business volume during the quarter, due largely

tion for responsiveness and quality across markets."

Nine-month earnings totalled \$428m, compared with \$219m in the same period of 1968, on revenue of \$4.76km, up from \$3.71bn, while earnings per share totalled \$1.73, against 76 cents.

• GTE, which controls one of

services.

new inroads into the \$23bn

new inroads into the \$23bn cousumer market," said Mr Bert Roberts, MCP's president. "Our ability to increase revenue and earnings is a direct result of both MCP's marketing expertise as well as its reputation for responsiveness and quality across markets."

the largest telephone systems in the US, unveiled record third-quarter results, adds Our Financial Staff. to the introduction of a new calling plan and the expansion of its operator and payphone "The company continued to garner a greater share of the business market and is making

Revenues from its telephone operations increased 7 per cent to \$3.1bn, while operating income rose 8 per cent to GTE lifted net income to

\$368m from \$318m last time which took earnings per share to \$1.06, compared with 91 cents. Revenues moved ahead to \$4.4bm, against \$4bm.

The quarter's results also

reflect a 10 per cent increase in the usage of domestic local-exchange networks for long-distance calling as measured by access minutes-of-use. GTE said the number of access lines in service also increased by 5 per cent from the year-ago. by 5 per cent from the year-ago

increases, however, were partly effect by rate decreases which became effective last April for inter-exchange carriers' access to local-exchange networks.

Nine-month net income increased to \$1bn, from \$898m, which lifted per share earnings to \$3.01 from \$2.62. Revenues advanced to \$12.8bn from

The company said earlier rate reductions in Texas and California lowered third-quarcamornia lowered third-quar-ter revenues and operating income by \$55m. The 1938 third-quarter operating income was reduced by a similar amount because of a provision for a reorganisation and streamlining of the telephone operations unit operations unit.

July 1989

Vitro of Mexico acquires **Anchor Glass for \$800m**

By Richard Johns in Mexico City

FLORIDA-BASED Anchor Glass Container has agreed to be acquired by Vitro of Mexico following a takeover struggle lasting more than two months. The total cost of about \$800m, which includes the assumption of \$460m in Anchor debt, makes it by far the larg-est purchase by a Mexican cor-poration of any foreign entity. Earlier this year Vitro also bought Latchford Glass of

Huntington Park, California, for an estimated \$100m.

Vitro is paying \$21.25 per share for Anchor, up from an original offer in August of \$20. Security Pacific National Bank

provided \$139m in financing the tender offer while Donald-son Lufkin and Jenrette committed \$155m for the purchase of both Anchor Glass and Latchford Glass.

Mr Ernesto Martens, Vitro president, said the acquisition of Anchor, which has \$1bn in annual sales, would allow Vitro "to become a world player in the glass container industry."

It would operate Anchor as a fully independent US unit run by US managers.

Mr Vincent Naimoliani, Anchor Glass chairman, said

his board had succeeded in its attempts to maximise share-holder value. Vitro's original offer had been at a premium of 100 per cent over the price of its shares before the Mexican company started buying them

in the market.
Last year Vitro earned the equivalent of \$150m on revenues amounting to \$1.1bn. Vitro is also one of Mexico's leading manufacturers of white goods and fibres. Predominantly owned by the Sada family it also says the sada family. ily, it also owns 49 per cent of Cydsa, a holding company with big interests in fibres, plastics,

MELLON BANK CORPORATION Notice is hereby given that for the interest period from 16th October, 1995 to 16th January, 1990 the notes will carry an interest rate of \$.0125% per annum. CHEMICALBANK

Agent Bank

chemicals, and packaging.

Accumulator Invest A/S

investment company quoted on the Copenhagen Stock Exchange

has acquired all outstanding shares of

CONSORTIUM IMMOBILIER DE FRANCE S.I.I.

real estate investment company quoted on the Paris Bourse

INTERNATIONAL COMPANIES AND FINANCE

Anglovaal mines hit by labour costs and lower gold prices

By Jim Jones in Johannesburg

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bined to cut the profits of two mines and push a third into an operating loss.

Each of the mines felt the full effect of wage increases awarded in May and July though none has yet resorted to large-scale retrenchments.

Loraine, the worst affected of the three, was hit additionally by a lower ore processing rate and unit costs per tonne of ore milled were 9 per cent higher in the September quarter than in the three months to June.

Analysts in Johannesburg

Analysts in Johannesburg had expected Loraine to partic-ipate in the development of a new gold mine being planned by Anglovaal immediately to the north of the Loraine property. However, while Loraine generates losses or low profits it cannot offer any tax-saving

GOLD MINES in the South African Anglovael group suffered the worst of all worlds during the September quarter as sharply higher labour costs, poorer gold recovery grades and lower gold prices combined to cut the profits of two mines and push a third into an operating loss.

Each of the mines felt the full effect of wage increases

The average underground recovery grade has continued to fall as the focus of mining operations has shifted towards the poorer western section of the mine.

the poorer western section of the mine.

Easiern Transvaal Consoli-dated, which operates a num-ber of small mines near the town of Barberton, suffered metallurgical problems as ore supplies from its different mines varied. Additional pro-cessing equipment is being installed and the directors warn that gold recovery grades could vary considerably during the next few quarters.

Prospecting expenditure, concentrated on the hills suradvantages to the new venture.

Hartebeestfontein, the larghas been reduced.

ANGLOVAAL GOLD QUARTERLIES Gold produced After-tax profit Earnings per (kg) (Rm) share (cents) Sep 89 June 89 Sep 89 June 89 Sep 89 June 89 E.Tvi Cone 910 872 8.9 12.7 102.0 75.5 Hartebeest 7,815 7,610 42.2 88.1 32.7 37.3 Loraine 1,888 1,975 (1.3) 7.1 (45.4) 25.8 Elemings per share calculated after tax and capital expenditure, Percenteces - negative

Avesta down 8% as value of inventory is halved

By John Burton in Stockholm

A FALL in the value of its inventory has led to Avesta, the Swedish stainless steel manufacturer, reporting an 8 per cent fall in profits after financial items for the first eight months of 1989 to SKr582m (\$89.3m) from SKr585m.

It warned that profits for the first eight months of the first eight months eight month

It warned that profits for the full year would be lower than the 1988 figure of SKrl.3bn, reversing its optimistic fore-cast in June that 1989 carnings would at least match those of

important raw material in stainless steel. It received a surge of orders last autumn as companies built up inventories in anticipation that stainless steel prices would rise as a result of higher

tory valuation, Avesta's profits rose 15 per cent to SKr442m from SKr385m. Sales climbed 38 per cent to

SKr6.55bn from SKr4.73bn, mainly due to sizeable price the preceding year.

Avesta has been hurt by the year.

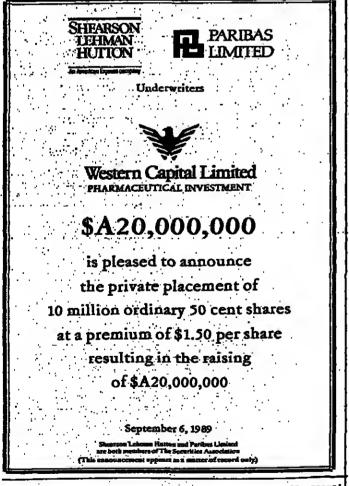
Avesta has been hurt by the year.

Avesta has been hurt by the year.

Avesta estimates the demand for stainless steel will continue to grow, but at a continue to grow the cont

lower level than in 1988 as customers continue to reduce their stockpiles.
It also reported that profits had declined for cold rolling

nickel prices. But when nickel plate steel but had improved prices fell in the spring, compa- for warm rolling plate steel.



}}}} Mortgage Bank of Finland Ltd.

£15,000,000 1134 per cent. Notes 1989

Notice of Final Redemption

S. G. Warburg & Co. Ltd. announce that all outstanding Notes are redeemable at par on 18th November, 1989 and that interest will cease to accrue on that date.

Notes are payable at the office of ---Bauque Internationale a Lixembourg S.A., 2 Boulevard Royal, S.G. Warburg & Co.Ltd. or Paying Agency, 2 Finsbury Aven London EC2M 2PA P.OBox 2205, 2953 Luxembourg

Notes and Coupons will become void unless presented for redemption or payment within 10 years and 5 years respectively

The following Notes drawn for redemption on the dates below have not yet been presented for payment:-18th November, 1988

13 16 283 286 289 292 295 298 301 304 307 310 313 316 319 322 18th November, 1987

Malaysia banks on financial restructuring

Lim Siong Hoon on government plans to fund a booming economy and combat debt

alaysia's banking sector is headed for a big restructuring, partly so that it can help fund a booming economy and partly to make up for the billion-dollar losses the banks dollar losses the banks have suffered in previous

years.
Goaded by Bank Negara, the central bank, many of the country's 50 commercial and merchant banks will soon have new partners under reorgan-ised equity structures.

Some of the foreign banks operating in Malaysia will be encouraged to merge with

encouraged to merge with domestic ones, with a few of these mergers happening within the next three months. Other foreign banks, new to the country, will each be able to buy up to 20 per cent in a domestic bank, according to Mr Jaffar Hussein, Bank Negara governor.

This equity reorganisation, unprecedented in the country's hanking sector, is aided by a new piece of legislation, the Banking and Financial Institutions Act, and directed by the central bank. The law will affect most of

all the 16 foreign banks which have until 1994 to incorporate their business locally if they want to keep their banking licences. After their incorporation, the banks have a few continue.

options.

• A foreign bank can keep equity control of its local unit but will still be denied privileges already enjoyed by the domestic banks. All these banks are currently 100 per cent owned by their parent

of the parent can reduce its shareholding to under 50 per cent and so be considered a domestic bank. The central

BANK BUMIPUTRA Malavsta has approved a capital restructuring to pump in 982.4m ringgit (US\$364.2m) after a second round of big losses, Reuter reports.

Petronas, the national oil company which owns 90 per cent of Bank Bumiputra, will inject the money in two

hank has indicated that it pre-

bank has indicated that it prefers this second route.
So as not to alienate the foreign partners, Mr Jaffar has
offered them management control of the joint ventures. A
few foreign banks have told
the central bank they want
to go further — giving up
their licences following a
merger with local banks.
But there will be no new
issues of banking licences
to foreign institutions. to foreign institutions.

announcements on the impendcoming of new foreign banks, the scale of the banking reor-ganisation is going to be big. Just how big, however, is

Assets of the commercial and merchant banks total 150bn ringgit (U\$\$56bn), a quarter belonging to foreigners. Among the overseas banks, Hongkong and Shanghai Banking Corporation, with 9bn ringgit, is ranked the largest by assets; the smallest, with 82m ringgit, is United Overseas Bank of Singapore.

No local individual can own more than e 20 per cent stake in a bank. This, Mr Jaffar said, was an anomaly in the system since foreigners could have 100 per cent ownership. The new law, he said, "levels

Based on Mr Jaffer's the playing field" somewhat. There could be other reasons ing number of mergers and the coming of new foreign banks, the scale of the banking reorganisation is going to be big.

That would be obtained to the coming changes, though the coming changes are compared to the coming changes and the coming changes are compared to the coming changes, though the coming changes are compared to the coming changes. has far too many small banks. The first-ranked Malayan Banking's assets of 30bn ring-git are as much as 20 of the 23 domestic banks' combined. Assets of the commercial

> he government wants larger, multi-service banks to take up equity and to fund an expanding manufacturing sector as well as privatisation.

Another reason for the over-haul has to do with the losses and bad debts at several banks. In recent years, the central bank has had to make good Ibn ringgit in accumulated losses at four of these banks: United Asian, Habib, Sabah

Daiei lifts first-half profits by 5.5%

By ian Rodger in Tokyo

PRE-TAX profits of Daiei, a leading Japanese supermarket group, rose 5.5 per cent in the six months to August to Y11.8bn (\$78.9m) on sales of Y866.4bn, up 7 per cent. Daiei said sales in its retail division were up 7.2 per cent while those of the wholesale division gained 6.3 per cent. The introduction of a point-of-sale computer system helped improve efficiency, but the highest control of newspare over the control of newspare of newspare of newspare over the control of newspare over the control of newspare of newspare over the control over the c higher cost of new-store open-ings and store refurbishment held back the growth of operating profits to 1.6 per cent.
For the full year to February, Daiei expects pre-tax
profit to reach Y25.5bn, 7 per
cent shead of last year.

restaur .		A Promise
	All companies mentioned are incorporate All financial figures for the quarter and p	ogressive figures for the current year to date,
Anglovedie	including those of Loraine Gold Mines, L Rate of asschange on 30 September 198	9: R1,00 = 20,22, 21,00 = R4,44.
	Streebolders earlying choice of these r	I sampling results. No allowance has been made for of the corresponding one reserves. Sports regularly each quarter, should write to The
Mining companies' reports - Quarter ended 30 S	eptember 1989 Secretaries, Anglo-Transveni Trustaes L	Imited, 285 Régent Street, London W1R 8ST.
Honeoestionien	Prieska Copper Mines Limited — Continued Operations	Eosien Hensveel
Gold Mining Co Lid	Underground mining and holsting operations were maintained during the quarter at the previous year's rate of approximately 110 000 tons per month.	Consolicated Mines, Lid
Reg. No. 05/3392606 lesued capital: 112 000 000 shares of 10 cents each Cuarter Quarter Financial	However, hoisting of one from underground was temporarily suspended at the end of the querier to allow for the conversion of the man winder to a rock winder (following disposal of the Koepe winder) to enable the hoisting of approximately 30 000 tons per month of one from underground. This rate	Reg. No. 01/08442/08 Issued capital: 4 818 678 shares of 50 cents each
ended ended year ended 30 Sept 30 June 30 June 1989 1989 1989	should be achieved before the end of the December quarter on a sustainable basis for approximately eighteen months. The emphasis during the December	Querter Guerter Financial is ended ended year ended is 30 Sept. 30 June 30 June
Operating results Gold	quarter will be on the treatment of waste surface material pending the resumption of underground mining and hoisting at the reduced level indicated. As metal prices, exchange rates and cost controls will be critical factors in	1989 1989 1989 Operating results
Gold recovered to 7044 7038 29 215 Yield of 8,8 9,0 9,3	As metal prices, exchange rates and cost controls will be critical factors in determining the profitebility of these operations, results will be closely monitored on a monthly basis to ensure that if overall profitability is not achieved, the cessation of operations will be effected without delay.	Ore milled 94 200 89 800 383 200 Gold recovered kg 910 872 3 582 Filed 9/1 9,7 9,7 8,9 Filed 9/1 9,7 3,7 8,9 Filed 9/1 315,92 326,83 331,33
Costs R/tmilled 183,35 164,69 156,47 Profit R/tmilled 99,73 137,17 158,18	Dividend Final dividend No. 11 of 15,6796 cents per share in respect of the year ended 30 June 1989, declared on 26 July 1989, was paid on 16 August 1989.	Costs R/tmiled 164,89 152,81 143,74 - Profit R/tmiled 151,03 174,02 187,59
Costs R/kg 20 954 18 393 18 914 Profit 11 397 15 318 18 882	Capital expenditure There were no outstanding commitments at 30 September 1989 (30 June	Revenue R/kg 32 703 33 657 33 595 5 Costs R/kg 17 069 15 736 14 575 Profit R/kg 15 634 17 921 16 020
Revenue R000 227 883 237 263 967 342 Costs R000 147 597 129 448 494 142 Profit R000 80 266 107 615 493 200	1989: Nil). For and on behalf of the board	Reverue R000 29 760 29 346 120 339 Costs R000 15 533 13 722 52 208 Profit R000 14 227 15 627 68 131
Low-grade gold plant Ore milled	D.J. Crowe B.E. Hersov Directors	Financial results R000 R000 R000 Working profit—gold mining 14 227 15 627 66 131
Gold recovered	Directors: D.J. Crome (Cheirman), I.L. Benfield, B.J. Funeton, J.J. Geldenhoys, B.E. Horston D.M.S., Clive S. Monell, G.J. Robbertze, R.A.D. Wilson Allemate directors: J.J. Geldenhuys, G.J. Robbertze	Non-mining income 1211 1280 4498 15 438 18 907 72 629 Prospecting expenditure 602 3 317 7 118
Costs R/Lmilled 17.90 17.20 15.67 Profit 31,12 34,76 Revenue R/kg 31 611 32 524 32 339	. 18 October 1989	Stores realisation adjustment
Costs R/kg 12 790 11 575 10 046 Proff R/kg 19 121 20 949 22 298 Revenue F000 18 221 18 604 78 164	Localis a Circled Livings Hid	Taxation
Costs R000 7 303 6 621 24 282 Profit R000 10 918 11 963 53 882	Lording Gold Mines, Lid	Capital expenditure 4489 9 511 29 571 1 1 439 1 7 914 489 20 950 47 485
Unanium edda 2 805 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000 3 158 000 786 000	lesued capital: 18 366 966 shares of P1,00 each Quarter Quarter Financial	Development
Yield kg/t 0.10 0,11 0,11 Financial results R000 R000 R000 Worlding profit 91 204 119 796 547 082	30 Sept 30 June 30 Sept 1969 1969 1969	Sampled
(Loss)/profit from sales of uranium oxide and sulphuric acid	Operating results 1 388 000 395 000 1 611 000 Gold recovered 1 288 1 975 8 029	Chennelvalue9t 8.5 3.8 7.0
Net attractive deceived 655 (2.573) 1.265 101 161 130 172 594 687	Yield 9t 4.9 5.0 5.0 Revenue R/milled 162,13 176,01 166,85 Coets R/milled 168,88 155,38 156,71 (Lose)/conft R/milled (8,75) 20,63 10,14	Operations Metaflurgical recoveries are being affected by variations in the nature of the ore supplies from certain mines. Appropriate action is being taken to overcome this
Other expenses – Interest paid, currency edustments; stores adjustment and employee service benefits	Revenue R/kg 33 316 35 202 33 478 Costs R/kg 34 707 31 075 31 444	problem. In the meentime, a portion of the gold-bearing concentrates is being stockpiled for re-treetment by ancillary plant to be installed during the next few months, in the circumstances, it is possible that significant variations in quarterly
pervice benefits	(Loss)/profit RNG (1388) 4127 2 034 Revenue R00 62 907 69 523 268 796 Costs R00 65 527 61 374 252 467	recovery grades will be experienced during the year.
Taxoston and State's share of profit 57 400 55 151 324 381	(Loss)/profit	Financial The profit before taxation includes results of hedging transactions concluded during the quarter.
Profit effect textention and State scheme of profit. 42 245 69 479 263 663 Capital expenditure 5604 28 493 60 611	Profit from seles of pyrille 396 106 1397 Non-mining income 3878 3481 13450	Hedging transactions. As at 30 September 1989 the Company had sold e portion of its future gold
Capital expenditure 5604 28 483 60 611 (Appropriation for loan repayments 644 603 1 159 112 000 201 800	1 654 11 736 31 176 Interest paid, stores adjustment and service benefits	production as detailed below: Counter ending Kg of gold sold per kg sold
6 448 141 096 263 370 Development	Royalties paid	31 December 1989 436 Fi34 952 The forward price has been calculated at the R/S exchange rate ruling on
Advenced	Texation and State's share of profit of the tax of the	30 September 1969. Dividend Final dividend No. 78 of 265 cents per share, declared in June 1989, was paid
Channel with	State's share of profit	in July 1988.
-uranium codde kg/t 0,38 0,40 0,36	Appropriation for loan repayments and adjustments for currency fluctuations 116 68 281	Outstanding commitments at 30 September 1989 are estimated at R3 015 000 (30 June 1989: R3 981 000).
Financial The profit before taxation includes results of hedging transactions concluded during the quarter.	<u>9 150</u> <u>2 966</u> <u>15 170</u>	For and on behalf of the board D.J. Crowe Directors J.J. Geldenhuvs
in terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 September 1989 borrowings totalled R7 199 000 (1988: R8 267 000) of which long-term borrowings amounted to 1990 (1988: R8 267 000) of which long-term to 1118 000 (1988:	Advanced	Directors: R.A.D. Wilson (Cheirmen), D.J. Crowe, J.J. Geldenhuns, B.E. Hersov D.M.S., Cilve S. Menell, G.J. Richtwitze, J.E. van Nielerk
R161 000).	Kimberley reefs 404 422 1824 Channel width 60 93	Allemate director: B.J. Fungton 18 October 1989
Hedging transactions. As at 30 September 1989 the Company had sold a portion of its feare gold production as detailed below; Forward price	Channel width cm 111 88 93 Channel value 9t 5.0 4.5 8,7 Channel value 553 390 612	
Quarter ending Kg of gold sold per kg sold 31 December 1989 3 910 F34 952	Sampled m 452 422 1766 Channel width cm 8 6 8 Channel width 61 84.5 98.8 94.3 Channel value 61 84.5 98.8 94.3	Cansoliciated Murchison Lid
The forward price has been calculated at the R/\$ exchange rate ruling on 30 September 1989. Dividend	Eldorado reefs	Reg. No. 050647806 Issued capital: 9 240 000 shares of 10 cents each
Final dividend No. 67 of 100 cents per share, declared in June 1969, was paid in July 1989. Capital expenditure	Channel width cm 108 104 99 Channel value gft 11,1 7,2 8,3	Quarter Guarter Financial ended year ended conded year ended 30 Sept 30 June 30 June
Outstanding commitments at 30 September 1989 are estimated at R7 273 000 (30 June 1989; R7 236 000).	Total all reefs Samoled	1989 1989 1989 1989 1989 1989 1989 1989
For and on behalf of the board B.E. Horsov Directors D.J. Crowe	Chennel width om 76 71 72 Chennel value g/t 11,1 8,3 11,2 cm,g/t 839 662 809	Antimony revenue—net
Directors: S.E. Hersov D.M.S. (Chairmen), B.L. Bernstein Hon, I.L.D., D.J. Crosse, A.J. Field, J.J. Gelderhays, E.P. Guel, G. Heude, Clov S. Monel, T.L. Pretodus	Ore reserves The total ore reserve at 30 September 1989, based on a gold price of RS4 250 per kilogram, is estimated as follows:	Total mining revenue 8 638 12 160 54 011 Costs of sales 10 136 10 794 44 545 Coperating (loss)/profit (1 448) 1 366 8 498
Alternate director: P.J. Eustroe, K.M. Hosking, T.C. Rece, G.J. Robberton, P. Telleurd, J.E. van Nekark, R.A.D. Wilson 18 October 1989	Kimberley Basel Edorado Total and reefs reefs everages Tonnage 1 970 000 2 263 000 1 977 000 5 210 000	Non-mining income
	Stoping width	(Loss)/profit before taxation
Priesto Copper Mines Lid	Not included in the Eldorado Reefs are massive crebodies estimated to contain a total of 357 000 tons at an average grade of 6,8 g/L.	(Loss)/profit effert avation
issued capital: 54 000 000 shares of 50 cents each Quarter Quarter Financial	The pay limit may be adjusted on a quarterly basis to take account of materiel changes in the gold price. Financial	Dividend 1872 1872 1872 941 3 602 7 439
30 Sept 30 June 30 June 1989 1989 1989	The profit before taxation includes results of hedging transactions concluded during the quarter.	Financial The 44 per cent decline in antimony sales revenue is attributable to:
Operating results Ore miled 1 326 000 324 000 1 324 000 Concentrates produced	are limited to R35 000 000. At 30 September 1989 borrowings totalled R5 278 000 (1988: R5 716 000), of which long-term borrowings amounted to R5 041 000 (1988: R5 596 000) and short-term to R237 000 (1988: R120 000).	(i) a siscerning in demand for concentrate which is seasonal but may also herald a slow-down of economic activity in the northern hemisphere; and (ii) continued discounting by Chinese producers which kept prices in US deliar
Copper t 4 583 5 079 21 264 Zinc t 8 402 10 807 40 647	Hedging transactions	terms at the lower levels which prevailed at the end of the previous financial year. As expected, lower gold production resulted in gold revenue declining by some
Concentrates despatched 4 452 4 979 25 992 Copper 1 6 517 5 242 30 662	revenue should the goto price be below \$570 per curice curing the quarter enoug. 31 December 1989: Put options	10 per cent.
Financial results R000 R000 R000 Operating profit 184 4 404 21 118 Non-mining income 571 1 207 3 555	Quarter ending purchased 31 December 1989 933 lg (30 000 czs)	Final dividend No. 81 of 30 cents per share, declared in June 1989, was paid in August 1989.
Profit before taxation 1 755 5 611 24 673 Texation 2 144 476 13 007	In addition the Company had, at 30 September 1989, sold e portion of its future gold production as detailed below: Forward price	Capital expenditure Outstanding commitments at 30 September 1989 are estimated at R389 000 (30 June 1989: R454 000).
(Loss)/profit effortaxistion	Cuerter ending Kg of gold sold per kg sold 31 December 1989 1 025 R34 952	industrial relations Despite protracted regotations which included reterral to the conciliation board and independent mediation, Management and the National Union of Mineworkers
Dividend 8 487 19 257 (2 674) 8 493 18 711	The forward price has been calculated at the R/\$ exchange rate ruling on 30 September 1989.	have not been able to settle it dispute concerning the 1989 review of wages and
Development 94 1S 2 298	Capital expenditure Quistanding commitments at 30 September 1989 are estimated at R1 181 000 (30 June 1989: R1 055 000).	workforce proceeded on e legal strike commencing with the day shift on 27 September, 1989.
Financial Despatches, which very from quester to quester, are brought to account at their estimated receivable value. Operating profit takes into account adjustments totlowing final price determinations on despatches made during previous	For and on behalf of the board D.J. Crowe Directors J.J. Geldenhuys	For end on behalf of the board M.W. Hawarden Directors D.J. Growe
quarters. The operating profit for the quarter includes a turther provision of R60 000	Directors: O.J. Crowe (Chakman), P.J. Eustace, J.J. Geldenhuys, B.E. Hersov D.M.S., L. Hewit, G. Mauda, Cilve S. Manel, J.E. Olivier, S.W. van der Coll, R.A.D. Wilson	Directors: N.W. Hawarden (Chairmen), R.A.D. Wilson (Deputy Chairmen), V.G. Brey, W.D. Clough, D.J. Crows, B.E. Hersov, D.M.S. G.J. Jonker, Clive S. Menell, P.F. Redel
towards the anticipated costs which will be incurred or the mine. The and other obligations associated with the eventual closure of the mine. The total amount provided to 30 September 1989 is R13 446 000 (30 June 1989:	Atternate directors: J.H.J. Burke, B.J. Funeton, B.J. Lawrencon, T.C. Ross, G.J. Robbertze. J.E. van Nekerk, K.A. West 18 October 1989	Attennate directors: L.M. Brummer, P.W.J. Coenan, P.E. Gassner, P. McKenns. 18 October 1989
R18 386 000).		

This announcement appears as a matter of record only.

U.S. \$183,000,925

Acquisition Facility to



Lead Managers

Canadian Imperial Bank of Commerce Group

Citibank N.A.

Managers

Bank of Scotland

Bayerische Vereinsbank Aktiengesellschaft

Scandinavian Bank Group plc

Société Générale

Security and Facility Agent

Citicorp Investment Bank Limited

October 3, 1989

CITICORP

Arvin Industries, Inc.

has acquired a 75% interest in

A. P. Amortiguadores, S.A.

from

T I Group plc

The undersigned initiated this transaction, acted as financial advisor to Arvin Industries, Inc. and assisted in the negotiations.

Salomon Brothers International Limited



CALOR. ROWENTA. SEB. TEFAL CONSOLIDATED SALES SEPTEMBER 30, YEAR-TO-DATE

Including Rowents
(in millions of FRF) + 14% 2 223 4475

With constant structure:

Cosmolidated sales rose 13% (same level in France and a 26% increase for sales abroad). For the twelve months ending September sales was 13% (up 3% in France and 23% abroad).

The interim report for the Group SEB is now available To obtain a copy, please write to: Group SEB - Service Con BP 172 - 69132 ECULLY CEDEX - FRANCE or phone: (33) 72 28 16 48 Please indicate French or English version

Issue of up to £250,000,000 Floating Rate Notes 2000



of which £150,000,000 is being issued as the initial Tranche lesue Price of the initial Tranche: 100 per cent.

in accordance with the provisions of the Notes, notice is hereby given, that for the Interest Period from October 17, 1989 to January 17, 1990 the Notes will carry an Interest Plate of 15%% per annur The interest payable on the relevant payment date, January 17, 1990 against Coupon No. 16 will be £382.81.

By: The Chase Manhattan Bank, N.A. London, Agent Bank



INTERNATIONAL CAPITAL MARKETS

Sammi Steel meets strong demand despite pessimism

By Andrew Freeman

EUROBOND markets remained subdued yesterday with limited new-issue activity and quiet secondary trading. Syndicate officials said they were not expecting conditions to improve during this week.

Merrill Lynch was the lead manager of a \$50m five-year deal with equity warrants for Sammi Steel, the Korean man-ufacturer. The par-priced bonds were issued with a cou-pon indicated between 1% and

pon indicated between 1% and 1% per cent.

Final pricing will be tomorrow based on the average price of the underlying stock over a seven-day period.

Demand was predictably strong, and the deal immediately traded at a huge premium. Traders said it was almost impossible to lift offers in the market, and they in the market, and they pointed to a wide bid-offer spread as evidence of a funda-mental lack of liquidity. At one stage the spread was 10 points wide, before it settled down to 4 points. The full price in the afternoon session was 118 bid,

As with previous Korean.

US DOLLARS Hanshin Elec.Rail.Co.# Sammi Steel Co Ltd# Sumitomo Metal Mining##(a)

Redland IntFund. SWISS FRANCS Rohm Co.Ltd ◆ 5 本本(a) Nomura Int. Ltd. 本本音

SWEDISH KRONA Kredietbank Int, Fin.
Sandvik AB

♦Final terms, 4With eq

exercisable after May 1991 to allow for the liberalisation of the Korean equity market. The indicated premium on the war-

rants is 75 to 85 per cent.

Nomura launched a successful \$150m deal with equity war-

INTERNATIONAL BONDS

rants for Hanshin Riectric Railway, riding the sharply improved sentiment on the Tokyo stock market. The cou-pon was indicated at 4 per cent and final terms will be set on

Nomura was quoting the bonds with warrants at 105% hid, a fine premium to the par

issue price. Kredietbank launched a SKr250m 51/2-year unswapped issue for its own international finance subsidiary. The coupon of 11% per cent was aimed at retail demand, and sales are expected to be mainly into Kredietbank's own network. Late in the day Svenska launched a Skr250m two-year deal for Sandvik. The bonds

(1³4-1³4) 3³8

were trading on fees at less 11/4

J.P. Morgan was the lead manager of an A\$150m seven-year deal for Redland Internayear deal for Redland Interna-tional Funding, a subsidiary of Redland, the UK construction company. The bonds were largely pre-placed and are not expected to be actively traded. The purpose of the issue was to refinance a £100m 25-year Eurosterling issue, the bulk of which was bought in by Red-land two weeks ago. That buy-in resulted in some contro-versy when dealers complained.

buy-in resulted in some controversy when dealers complained there had been insider dealing ahead of the announcement of the offer to buy the bonds at a premium to their market level.

Mr Gerald Corbett, financial director of Redland, said: The issue, which was specially tailored for us by J.P. Morgan, gives us seven-year fixed sterling funds at a semi-annual rate of 10.11 per cent, against the 11.4 per cent cost of the straight Eurosterling bond before we bought it back."

J.P. Morgan executad a

J.P. Morgan executad a

series of currency swaps and interest rate hedges to achieve the funding.

NEW INTERNATIONAL BOND ISSUES 134/34 J.P Morgan Securities

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welcomes Nagoya index option

By Andrew Freeman

A NEW OPTION contract on the Nagoya stock index of 25 leading Japanese companies saw active trading in its first session on the Nagoya regional stock exchange in Japan yes-

terday. in a single two-hour session. more than \$27,000 contracts were traded, consisting of 484,265 calls and 342,808 puts. Most of the business was between Japanese brokers,

between Japanese prokers, with fereigners accounting for about 10 per cent of activity. The Nagost exchange is the third largest in Japan after Tokyo and Osaka, and has launched the option product to compete with its rivals. Unlike other Japanese index ordiges the Nagorea contract is options, the Nagoya contract is based on a Kuropean-style option, with no early exercise allowed on the contract. Exer-

allowed on the contract. Exercise is only at the expiry date of the specific contracts.

The underlying 25-share index closed at 1,302.18 points, a gain of 23.83 points from Monday's close.

Banque Nationale de Paris (BNP), France's biggest commercial bank, has been given approval by the Indonesian Government to set up a new bank in Jakarta in association with Lippo Bank, a local banking institution, AP-DJ reports.

The new bank, to be called PT BNP Lippo Indonesia, will

The new bank, to be called PT BNP Lippo Indonesia, will be 85 per cent controlled by BNP, the remaining 15 per cent being held by Lippo Bank. It will be BNP's second venture in Indonesia with Lippo Bank. The two institutions set up a joint lessing company in 1984.

SBC to swap Mexico loans into bonds -

SWISS Bank Corporation has decided to swap most of its Mexican loans into 30-year bonds with fixed 34 per cent coupons, Reuter reports from

Zurich.
Mr Franz Güdel, senior vice president, said yesterday that SBC would also make fresh loans to Mexico. The board has decided that, due to the fact we have a very large amount of our debt outstand-ing in Swiss francs and the interest was particularly low in Swiss francs, we would go for the interest reduction as a give to a lesser part some new

He declined to discuss the mounts of money involved. Mr Gudel was speaking after representatives of about 15 Swiss and Austrian banks met Mexican financial officials in

Zurich to discuss Mexico's debt reduction package. Mr Angel Gurria, Mexico's chief debt negotiator, termed the talks lively and constructive, but said the other banks had not indicated what strat-egy they intended to follow to help reduce Mexico's medium-and long-term debt. Creditor banks have the

option of swapping their loans for 30-year bonds with a face value discounted by 35 per cent, provide new loans in addition to the debt outstanding, or exchange loans for dol-lar bonds with a 64 per cent

Mr Gurria, under-secretary of Mexico's Ministry of Finance, said the 3½ per cent coupon SBC would receive on its bonds was the equivalent of the 6½ per cent dollar bond

Swiss banks now held about 2 per cent of Mexico's \$70hn in foreign bank debt, he said. SBC has never publicly dis-closed its Mexican debt expo-sure, but Mr Güdel said it has about a third of the big Swiss about a third of the big Swiss banks' outstanding loans to Mexico. The big banks have 90 per cent of the Swiss exposure. He said the Federal Banking Commission had not provided Swiss banks with guidance on how best to handle the debt

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INTERNATIONAL CAPITAL MARKETS

Treasuries reverse earlier gains as equities recover

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds wards since the close last continued to move in an Thursday at 8H per cent. The afternoon downturn in stock market yesterday, trad-ing higher in the morning as equities plunged and reversing those gains as the Dow Jones

Industrial Average cut its losses by two thirds. By late trading the Treasury's benchmark long bond was down % point, taking its yield above 8 per cent again to

S.02 per cent.

Treasuries had held higher for most of the session as fresh inflows resulted from the sagging stock market. By the end of the day, however, and in mits of the Deriverse and in the sagging stock market. spite of the Dow's recovery to close about 20 points lower, the bond market had started to focus again on news of a sharp widening in the US trade defi-

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This was \$10.77bn against estimates of e \$9bn short-

The 8.02 per cent yield on the long bond was exactly the same as the close last Thursday, on the eve of the 196 point fall in the stock market. This is very different to the situation following the October 1987 crash when yields dropped dra-matically as the US Federal Reserve pumped liquidity into the banking system. This time the Fed's reaction

has been swift in terms of verbal reassurance but limited in actual action. The central bank added mod-

est amounts of liquidity on both Monday and yesterday . Bond dealers are bypassing and the Fed funds rate has . Footsie and even the Dow shifted only % point down-

the bond market may have 11% due 1003/07 closed 20 basis resulted from a measure of dispoints higher while the 9 per resulted from a measure of dis-appointment that the Fed's

GOVERNMENT

easing had not been as extensive as many in the market had hoped for The slide came in spite of a stable performance by the dol-lar, which was quoted towards the top of the day's ranges against the Japanese yen and the D Mark at Y142.75 and

THE EUROPEAN and Japanese government bond markets had another dizzy day follow-ing the movements of the

equity markets.
In the UK, gilts opened
almost ½ point lower after
Monday's strong gains, as the
Dow Jones index in New York
confirmed the rally in share
prices overnight. When it became clear that the rally was not as strong as expected ---and after the 31 per cent rise in the US trade figures for August

 gilts firmed %.
 Traders said, however, that It continued to react instantaneonsly to the news on equity markets rather than fundamentals.

Jones cash index and focusing

BENCHMARK GOVERNMENT BONDS

	Caupon	Date	Price '	Change	Yleid	- 800	890
UK GILTS	13.500 9.760	9/92	104-30 95-19	-4/32 +2/32	11.48 10.56	11.88	11.14
	9.000	10/08	95-00	+8/32	9.58	273	9.44
US TREASURY *	8.000 2.125	8/99 8/19	99-30 101-04	-7/32 -16/32	8.01	10.8 2.00	2 12 2 12
JAPAN No 111'.	4.600 5.700	6/98 3/07	96.1252 104.7631	+0.029	5.25 5.18	5.34 5.14	5.35 5,18
GERMANY	6.750	- 6/90	98.3000	+0.050	6.99	6.96	6.96
FRANCE BYAN OAT	8.000 8.125	7/94 5/99	95.3949 95.8700	-0.160 +0.005	9.22 2.78	2 14 8,74	8.97
CANADA .	9.500	10/98	98.5000	-0.4000	9.48	9,50	9,54
NETHERLANDS	7.250	7/99	98.4000	-0.410	7.48	7,40	7.26
AUSTRALIA:	12.000	7/99	91,3241	-0.074	13.63	13.64	13.15

Prices: US, UK in 32nds., others in decimal Technical Date/ATLAS Price Sources

Fossett accounts nears end

By Katharine Campbell in Chicago

on the Dow futures," a trader

The benchmark Treasury

cent 2008 stock climbed by 18

bin GERMANY, government bonds lost much of Monday's strong gains, especially at the longer end. Bunds were fixed about a D-Mark down, and yields on 10-year issues again

reached 7 per cent, returning to Friday's levels. The Federal September 1999 bond was fixed

at 99.80 to yield 7.03 after it rose DM1.45 to DM100.85 on

Shorter-dated stocks were

still looking attractive to inves-

tors, however, and there was e

fair amount of demand for six-, seven- and eight-year

These stocks were fixed only

about 25 to 50 pfennigs down, rather than a whole D-Mark at

the longer end. Traders attri-buted the buying interest to a

late "flight to quality" and the greater yields available at the

shorter end. "Any weakness in equity makes bonds look like a

worthwhile investment," said a

JAPANESE GOVERNMENT

bonds opened lower and tracked the equity and cur-

rency markets equally closely.
"Unless the yen strengthens
against the dollar, the

hort-term outlook for yen

Bond prices remained fairly

high in spite of the fluctua-tions in the equity markets, as the chance that central banks

would inject cash into the sys-tem lived on. The benchmark No 111 closed at 5.270, after

Mr Minoru Nagaoka, Tokyo

Stock Exchange (TSE) chair-man, said be hoped a TSE com-mittee would decide by the end

of the year on the next opening

Monday's finish at 5.245.

bonds and futures is poor," a trader said.

THE TRANSFER of accounts from Fossett, a Chicago options trading firm in difficulties after Friday's market drop, is virtually complete, a spokesman for First Options of

spokesman for First Options of Chicago said yesterday. First Options, a subsidiary of Continental Bank and the largest options clearing firm, is taking over from Fossett about 200 accounts of professional options traders operating on a number of US options exchanges. Options traders faced heavy

losses on Friday largely because of the speed of the 190 point drop in the market. This was in marked contrast to the October 1987 crash, when the losses were concentrated among retail customers and many options traders were well positioned.

At the close of business last Friday, Fossett faced losses in its proprietary junk bond and stock positions as well as in options to the extent it feared it could not weather a further steep drop in the market on Monday.

This prompted an unusual rescue package formed over the weekend, under which a \$50m guarantee was provided to First Options, indemnifying the firm for 10 days over the period of the transfer against client losses that could occur given a stock market move of up to 20 per cent in either direction

The package was understood to have been required by the Comptroller of the Currency, which has regulatory over-sight of Continental Bank. In October 1987 First Options itself lost about 890m after the failure of a few large

clients caught on the wrong side of the options market, and Continental ran into regula-tory problems when it tried to transfer capital to cover the losses of its subsidiary.

of the exchange for new mem-bers, Reuter reports from Tokyo. The guarantee consists of \$18m of personal funds advanced by Mr Stephen Fossett, the firm's owner, \$20m from the Options Clearing Corporation and \$8m and \$4m The committee would seek a balance between Japanese and foreign financial institutions in deciding on new members as poration, and \$8m and \$4m. foreign firms had dominated the memberships granted in recent openings, he added. respectively from the Chicago Board Options Exchange and the American Stock Exchange.

Transfer of | India's jumbo issues set the pace

R.C. Murthy on how markets are being tapped to fund projects

hare the L and T vision — world class," reads a hoarding on the fashionable Marine Drive in Bombay. Larsen and Toubro, a high-**MAJOR CAPITAL FLOTATIONS** (September to November 1989) technology sngineering com-Larsen and Toubro 8.20 pany and now part of the Reli-Lisha Rectifier Vinayral Abhay Cawai Essar 7.14 5.00 4.06 2.50 1.80 1.40 1.26 1.04 0.92 ance conglomerate, is offering Rs9.48bn (\$565m) in convertible Bindal Agro Essar Gujarat S.M. Dychem debentures to the group's shareholders and the public. S.M. Dychem R.P.Goenka Aditya Biria Aditya Biria Raunaq Singh Mahindra Cent Tyres Hindustan Akminium The L and T issue was the Grasim Industries
Apolio Tyras
Mahindra and Mahindra
Raymond Woolles Mills second and largest of a dozen offers to hit the capital markets in six weeks from late September. They were aimed at raising a total of Rs40hn, including the 15 per cent which Add 15% of oversubscriptions which may be retained with the permission of the Controller of Capital Issues may be retained, with permission from the Controller of Capital Issues, if an issue is oversubscribed. The first, e 5.10

> courts earlier this month. L and T plans to use a natural gas cracker it is to build for Reliance Industries as e model for winning overseas contracts for petrochemical engineering

The Rs1.4bn public offer. But the easy credit offered by L and T to Reliance attracted flak. The Supreme Court was asked to stop the Rs1.69bn public component of the Rs9.43bn L and T issue, a issue, after allegations that it was an in-house arrangement to siphon off L and T funds, Apparently, investors are ready to take risks with pro-jects aimed at global competi-

r Abhay Oswal, of Bindal Agro, and Mr Vinay Rai, of Usha Rectifier Corporation, two Delhi-based entrepreneurs, have taken a cue from Mr Dhirubhai Ambani of the Reliance Group, which launched a Rs6bn convertible for Reliance Petro-

chemicals last year.

In a drive to lift industrial growth from the present 8 percent, the administration of Mr Rajiv Gandhi, India's Prime Minister, has liberalised procedures for setting up new industries, as long as they do not depend on state-run financial institutions for funds. Capital issues this year are

expected to reach a record Rs50bn, up by two thirds from Rs30bn last year and only Rs10.2bn four years ago. India has only about 10m investors, out of a population of 800m, and companies are under pressure to tap the virgin market by aggressive selling in small towns. Now that state-owned television has started accept-ing capital issue advertising, the message can be spread to some three quarters of the pop-

The rash of debenture issues has led to many innovations. L and T hit on the idea of asking for just a quarter of the issue price from investors initially and the remainder in three instalments spread over a year. This pattern has become a standard for all the jumbo issues. Ceat Tyres and Essar Gujarat have sweetened their offers by warrants and "loyalty" coupons. The Essar war-rant, for instance, can buy an

additional Rs10 share per

debenture in the next four

years, at a price not exceeding Rs70. The "loyalty" coupons are to reward, with a cash payment of Rs10 per debenture, inves-tors holding on to their investment for three years. Usha Rectifier and Essar Guiarat

have instituted 10 annual

seas study to investors' children. Bindal Agro, L and T and Essar have tied up with banks to provide loans to investors in

Investors prefer fully con-vertible debentures from companies paying handsome divi-dends and whose shares command e premium. Good equity issues are normally several times oversubscribed, and small investors are rarely given e firm allotment of

The mood of the capital market is upbeat, although most convertible debenture offers are overpriced, according to market analysts.

The stock market has been flat recently, in the run-up to the general election in late November. But share values are at a fairly high level.

The Bombay Stock Exchange 30-share index yesterday stood at 699, up by nearly 13 per cent from 620 in January. Mr R. Sankaran, a leading merchant banker and until recently executive director at Standard and Chartered Bank, says all the jumbo issues, scheduled for launch before the elections, will be fully subscribed.

he Rs7.14bn debenture issue of Usha Rectifier, to finance a steel project at Amethi, the parliamentary constituency of Mr Gandhi, and that of Bindal Agro for a chemical fertiliser plant at Jag-dishpur, adjacent to Amethi, have already opened for sub-scription. Merchant bankers have warned companies to launch their capital issues in the next couple of months, before election uncertainties overtake the markets.

Analysts say it is difficult to forecast the political scenario after the elections, with annual double digit inflation, charges of corruption egainst Mr Gandhi and opposition parties' inability to evolve a common programme to ensure public

Bond Corp payment completes BSB equity funding

Broadcasting yesterday completed its equity funding of \$423.55m when Bond Corporation of Australia, its largest investor, paid up the final \$27.6m tranche of its commitment, writes Raymond

Rs4bn convertible debenture,

was offered by Essar Gujarat, a madium-sized engineering, energy, steel and shipping group, that has now catapulted itself into the top league of

Gujarat issue was three times oversubscribed, as was the

response that surprised mer-chant bankers.

tion without the aid of national

the Essar Gujarat issue is to be

offered as a rights issue to shareholders. The issue is to part-finance a Rs1-ibn state-of-

the art steel plant at Hazira, on

the west coast, the first such project in India targeted fully

Other jumbo issues are by lesser-known but ambitious

business groups that have decided to tap the market to

finance their projects, instead of relying on state-owned financial institutions.

Investor confidence in the

high-profile Larsen and Toubro

was put to the test in the

at the export market.

The remaining Rs2.6bn of

Indian businesses.

subsidies.

SATELLITE Snoddy. Mr Alan Bond, chair-yesterday com- man of Bond Corp, stood to lose a substantial proportion of his initial £126.7m (\$197m) in BSB, which plans to launch five channels of satellite televi-

weeks left in which to make his final payment before his investment stake of about 35 per cent in the venture was severely diluted by penal

sion in the spring.

The final payment came to enough money to last until the BSB, whose investors include launch of its televiaion service.

Pearson, publisher of the Financial Times, as Mr Bond pulled out of the gold business and sold Bond International Gold in a deal worth \$373.8m. BSB is believed to have

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These kidices are the joint compilation of the Pinencial Three,

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/ <u>-</u> .	EQUITY GROUPS		Tuesda	y Octo	ber 17	1989)	Mon Oct 16	6t 15	Oct 12	Year ago Capprox
	& SUB-SECTIONS pures'in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earnings Yield% (Max.)	Yield% (Act at (25%)	Est. P/E Ratio (Net)	nd adj. 1989 to date	index No.	index No.	Index No.	Index No.
1	CAPITAL 60005 (208)	858.97	-43	12.90	4.95	9.43	27.02	853.32 986.77	896.14 1831.93	899.23 1834.89	\$16.8 1076.5
2	Building Materials (29)	767.12	+6.2	25.49 18.15	5.58 5.67	7.97	35.78 51.75	1346.61	1425.76		1611.9
3	Contracting, Construction (5/)	D/0.77	10.2	10.68	4.87	11.78	68.90	2483.21	2572.84		2324.6
2	Contracting, Construction (37) Electricals (10) Electronics (30) Mechanical Engineering (54) Metals and Metal Forming (6)	1947 74	-1.3	9.73	3.88	13.24	49.22	1914.79	2011.03		1763
2	Machinical Engineering (S43	450.37	+63	12.17	4.90	15.09	14.38	457.77	444.15	487.92	426.5
ä	Metals and Moral Engine (6)	419.86	-0.5	23.37	6.01	4.72	15.15	442.20	451.32		494.7
8	Motors (18)	342.63	10.4	11.51	4.95	10.17	9.97	348.66	359.33	357.12	284,5
s ni	Other Industrial Materials (24)	175 94.7 6	-0.9	16.35	4.49	11.40	51.93	1609.16	1680.40	1689.62	1342.2
21.	CORSUMED EROUP (184)	1208.93	-0.9	9.12	3.44	13,79	26.91	12195		1272.37	1093.0
			-0.6	9.36	3.53	13.36	28.11	1405.09			1150.0
25	Breyers and Distillers (23) Food Manufacturing (20) Food Retailing (14) Health and Household (14) Letsure (34) Packaging & Paper (15) Publishing & Printing (18) Stores (32)	1074.45	1.4	9.52	3.98	13.26	25.28	1985.54	1136.43		967.9
26	Food Retailing (14)	2247.76	-2.0	9.31	3.11	14.21	43.01	2292.84	2343.49		
27	Health and Household (14)	2342.45	-1.6	5.67	2.04	. 17.85	39,12	2381.62	2463.66	2463.98	1936,1
29	Letsure (34)	1555.40	+0.2	8.46	3.71	14.57	37.26	1553.17	1631.12	1641.56	1376.
31/	Packaging & Paper (15)	521.13	+1.7	11.49	4.99	10.85	16.17	512.34 3349.25	545,85	549.97	568,0 3489,6
32	Publishing & Printing (18)	3362.87	+4.4	9.48	5.06	15.55	105.93 18.59	745.15	34%5.96 778.96	3509.86 777.90	771
34	Stores (32)	738.55	-0.9	11.59	4.97	11.26	15.74	506.13	522.87	572.17	523.3
				11.39	5.86 4.72	10.65	27.47	1997.32	1144.77	1139.95	911.5
70	OTHER GROUPS (93)	1047.44	-0.9	10.00	2.52	26.71	25.00	1440.97		1546.34	1074
•1	Agencies (27) Chemicals (22) Conglomerates (13) Transport (13)	1427.30	-8.8	7.38 12.74	531	9.25	43.00	1122.11	1213.25		
:	Chericals (22)	1542 25	-1.1	11.00	5.56	19.62	36.84	1559.32	1534.12		1252
긺	Tenemost (13)	2143.15	+0.9	10.61	4.46	12.65	56.50	2023.60	2194.29	2247.99	1951.
7	Telephone Networks (2)	1074.41	-2.1	11.28	. 4.60	11.55	22.38	1097.81	1137.44	1119.19	994.4
a	Mistellaneous (26)	1776.45	-0.3	9.81	4.63	11.51	44.74	1782.29	1931.16	1908,77	1232.3
		1895.67	-0.7	10.57	4.21	11.67	28.00	1185.72	1151.78	1153.66	985.0
ä		2121.33	-0.7	10.21	5.35	12.94	87.50	2136.27	2206.27	2212.69	IIIZ
9		1181.74	-0.7	10.52	4.43	11.85	32.85	1190.37	1248.48	124L.97	1452
	THE PROPERTY COSTS	720.74	-0:6		5.73		28.17	732.36	760.02	753.80	790.1
1	Participal SKOUP (1211	720.10	-1.2	23.32	6.76	5.64	35.17	749.04	763.46	775.24	612
*	FTHANCIAL GROUP (121). Banks (9) Insurance (Life) (8)	7125.74	-11	23.32	5.35	-	47.56	1187.05			
	Indigraphe (Composite) (7)		-16	··'	6.13		28.34	624.95	642.50	641.14	542,7
7	Insurance (Brokers) (7)	924.41	-4.2	8,34	6,78	16.36	45.24	967.34	1808.26	777.27	962.
SB.	Merchant Banks (11)	389.61	+3.2		4.44	-	9.70	369.14	465,95	406.63	337.
-9	Property (49)	1126.35	-8.4	7.86	3.61	16.21	21.42	1138.79	11%.45		1241,
70 I	Other Financial (30)	1 314.15	+3.3	12.59	7.01	10.35	13.25	384,54	336,34		370.3
77	Investment Trusts (68)	1147.97	+8.4	-	3.01		26.26	1143.54	1223.33	1221.44	929.5
31	Mining Finance (1)	645.41	-1.6	11.58	4.17	9.71	22.25	455.67	676.20	678.77	573,8
71	Mining Finance (1)	1255.90	-0.7	12.61	6.35	10.42	42.24	1254.35		1346.48	
99	ALL-SHARE INDEX (698)	1071.59	-0.7	-	4.60	-	31.38	1072.89	1124.57	1127.84	*43
		Index	Day's	Day's	Day's	Oct	Oct	Oct.	Oct	Oct -	Year
		No.	Cimena	High (a)	Low (b)	16	13	12	11	. 10	950
_	FT-SE 100 SHARE INDEX		42.0		2129.8	2152 4	2233 6	2237.1	2278.8	2212.2	1957

_		FLX	ED I	NTE	RES	r			AVERAGE GROSS REDEMPTION YI	ELDS .	Oct. 17	Mon Oct 16	Year ago (approx.)
	PRICE INDICES		Tue Oct 17	Day's change %	Mon Oct 16	xd adj. today	oti adj. 1989 to date	1 2 3	Coupons 15	years	19.14 9.54 9.43	10.16 9.49 9.34	9.52 9.14 8.86
1	British Gen Up to 5 ye 5-15 years	ers	116.50 130.19		116.97 130.95	9.27	10.00 11.60	5	Medium 5 Cospons 15 25	PERS	10.98 9.92 9.54 11.10	16.86 9.82 9.45	9.92 9.36 9.03
. –	Over 15 ye Irredeema	ars	148.71	-6.82	141.87	-	12.00 8.83	8	Coupons 15	(815	18.14 9.70 9.49	10.94 10.04 9.62 9.48	9.51 9.51 9.11 8.84
5	All stocks Index-Links Up to 5 yes	d	128.39 137.61		129.16	0.10	2.79	11	Sealers-Linked Inflation rate 5% Inflation rate 5%	5yrs. Over 5 yrs	3.89	3.82 3.64	2.95 3.71
7	Over 5 yea All stocks	r\$	137.07 137.00	-6.07	137.17 137.11	<u>.</u>		13 14	Inflation rate 10% - Inflation rate 10%	5 yrs. Over 5 yrs.	2.99 3.47	2.92 3.46	1.76 3.53
9	Debentares &	Leave .						127	Debs & Leans	5 years 15 years 25 years	12.73 11.75	12.18 11.63	11.60
	Preference				87.30	± √ √	5.05		Preference		10.61	10.55	

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RISES AND FALLS YESTERDAY 357 49 3 93 147 1516 1530 Totals. LONDON RECENT ISSUES **EQUITIES**

100	201 201 201 201 201 201 201 201 201 201	792 1085 94 121	20 745 1861 46 112	Do, Warran Saltama Ba Sakal Bank Sardy Olegi HWestminst	1009 -15 016%	47 0.4 41 0.3 22 5.4 16 5.9	1 T
leaze Price	Account. Paid of	Latest. Remote Date		199 199	Sact	Clasing Price	+ 67
1050 1000 1000 1000 1000 1000 1000 1000	FARMMERARARESERARE	20/10 17/11 14/9 20/10 20/10 15/11 21/8 10/7	100 100 100 100 100 100 100 100 100 100	650 67.5	Equation (ed. 7.75 to Cr. Pf. British Aerospace 7.75 to Oted Cr. Pf. British Aerospace 7.75 to Oted Cr. Pf. British Aerospace 7.95 to Cr.	939 939 939 949 949 949 949 949 949 949	5 th 48 45 45 45 1752
	_		R	GHT	S OFFERS		_
Issue Price P	Acrount. Paid ID	Latent Resonc Date	19 Flight	89 Low	Stock	Closing Price P	+ 67
195 73 125 340 150 150		22/11 21/11 23/10 15/12 22/11 18/10	16pm 16pm 112pm 20pm 5pm 41pp	14 pm 14 pm 14 pm 14 pm 24 pm 24 pm 14 pm	Cosses (F.). *DSC Hidgs. Everal Everal #All Exercises #All March in Group Seaffeld Water Group 20g	4 pm 4 pm 4 pm 4 pm 2 kpm 3 pm 4 pm	+34

cover langed on division on that constant. Forecast, or estimated associated divide prospection or ealer official estimates for the 1990-91. I. Estimated associated if langed on prospection or other official estimates for 1989-90. Q Gross R Form official estimates. W Pro Forms R Form international process of the process	to Zipen la properties et Assessed divide sel parties et Assessed divide sel parties divide sel parties for 1985 esset assessive and the selection of the sele	Seried Japan Seried Japan Seried Japan Seried Divident rate paid or payable or part of capital, and and yield. Dividend and yield exclude special provident and yield exclude special provident and yield based on and yield based on prospectus or other efficial estimates in pic based on prospectus or other efficial estimates in pic based on payable and yield based on prospectus or other official estimates in pic based on prospectus or other official estimates in pic based on prospectus or other official estimates or other official estimates on prospectus or other official estimates of pictures of prospectus or other official estimates of pictures or ordinary stores as a "rights". If ser connection with procreamination reverse or takeover. It Louison History 1) including warrants extituence. Third
TRA	DITION	AL OPTIONS
First Dealings	Oct 9	Calls in Hasmocell, Atlantic Res.
 Last Dealings 	Oct 20	Astra, Tusker, American, or a
 Last Declarations 	Jan 11	Comm. Vista, Hyman, Explains,
• For settlement	Jan 22	AIDM Grp, Poddington, Delta, Hanson Wrnts, Br Aerospace,
a (adjustions so	-	Manson Wints, Br Acrospace,

For rats Indications see and of

Regenterest, Ewart, Cityvision, Beniox, Premier, Myson.

LONDON TRADED OPTIONS

THE LONDON Traded Optione Market quietened yesterday after the excitement of Monday as dealing turned cautious. The sharp swings by the stock market made the FT-SE Index option the busiest contract, while individual optione were generally less

optione were generally less active.
Institutions again tended to remain on the sidelines, waiting to see where the stock market's roller coaster ride would end and hoping to pick up shares at a lower level. Instead, business was done in small lots and the option market appeared to be used mainly by private clients who were cutting their losses or opening fresh positions.

Once again, attention focused

Once again, attention focused

on the FT-SE Index and its futures counterpart on the London Internetional Finenciel Futuree Exchange. Before the stock mar-

Exchange. Before the stock market opened, brokers said the FT-SE index was indicated to be up by 50 points.

However, doubts quickly set in and the FT-SE opened just 12.5 points up. None the less, the stronger opening by the stock market prompted some buying of FT-SE puts and selling of FT-SE futures on Liffe.

The stock merket then proceeded to ewing violently throughout the day, ranging from up 18.6 to down 42.6, before coming to rest down 27.9 on the day, having traded 643m shares.

Worries about further etock

market falls mean) business was concentrated in the FT-SE puts. These fears were confirmed soon ties slipped back with Wall Street. The FT-SE contract turned over 22,676 lots, of which 16,839 were puts and 5,837 calls. The busiest series was the October 2,150 put, which traded 3,055 lots. Total turnover on the LTOM amounted to 57.313 lots, down from 100,048 on Monday, but still above the turnover of recent days.

Hanson was the most active individual option, trading 2,379 contracts. This was divided between 1.481 calls and 898 puts. The busiest ceries was the November 220 call, which traded 681 lots.

Option.					Oct	PUTS	Apr	Beller					Oct	PUTS	Apr	Outles		Nec				UTS	Mar
Alfe Lyons	460 500	20	46	62	6	20	77	Storehouse (*117.)	110	117	16	21	3	5½ 12	9 14	Abbey Mat. (*142)	140	5	12	13	6 20	7 20	7 20
(478)		•	a	45	30	-	45			•	,		٥			Ferrant!	50	8	12	14	?	3	410
Brit. Airways (*192)	160 180	13	21 10	27 15	1 ½ 12	7 17	9 20	(*315)	300 317 330	6	37	23	8	20	22	OSDA Grp.	140	Her	. Am.	81 ₂ Apr 26	Nov 10	14	Apr 19
Brit Coro (*219)	110 120 130	12 5 2	23 17 12	28 22 18	2 5 15	12 10	11 17 20	Unil Bispolis (*542)	500 330 360	44	60 38 24	47	112	17	<u>-</u>	C139) Sptice	160		10	18	22 Her	25	28
Smhilt Below (*530)	500 541 550	7	30	73	16	28	30	Undieser (*624)	550 600 650	78 28 2	95 55 28	75	22 6 30	8 23	37 30 55	Gatescay (*237) Option	220 240		-	Jos	11 Dec	Hæ	}
Boots (*261.)	240 260 280	22 8 3	33 23 12	33	8 23	8 17 29	20	Oltrana (*321.)	300 330 360	2 25 5	40 23 12	47 50 32 18	3 15	45	16	Amstrad (*47)	45 50	11 7 33	15	18	9	10	10 13
B.P. (*293)	280	13	26	34	3	10 20	13		360	1	12	18	42	43	45	Barciays (*476)	500	15	50	40	32	45	27 47
	330	Ñ	52	23	38	36	40	Option		Nov	Feb	May	No.	Fø	May	(°212)	200 220	24 11	20	34 24	15	16 16	13 23
(*125) (*125)	125 125	2	10	13	4	5	4	Orit Aero (*554)	500 550	200	53	63	5 17	25 55	35	British Gas (*198)	180 200 220	25	30 16	37 25 12	72 23	14	19
Bass (*969)	900 950 1000	75 30 5	95 60 38	95 65	12	16 40 60	30 70	BAA (*333)	300 330 360	39 13	30 25 12	36	50 4 11 32	10 16	67 19 39	Dixons (*107)	110 120	2 ¹ 2 10 6	15 18	10	9	12 18	25 15 20
C & Wire (SEL).	460 500	28 8	% 刃	80 60	S 27	25 47	20 53	BAT lods (*753)	700 750	3 80 43	100	25.55	388	28 50 70	35 60	Glano (*1395)	1350 1400 1450	102 72 47	155 120 97	- 158 132	32 33 50	45 62 90	- 73 97
	1400 1450 1500	30 4	35 4	Ξ	5	3 7 35	Ξ	STR (MIL)	390 420	30 12	47 50 32	60 40	6	1200	90 18 30	Hender Sidd. (*649)	600	60 37	95 65	103 78	25 35	20 37	30 50
Courteslés (*333)	300 360	34 8 14	43 23 10	55 20	5 30	17 34	11 20 37	Brit. Telecom (*262.)	240 260 280	27 15	15 34 21	25 42 30	52 3 7	5	55 64 15	HUISdown (*261.) Londo	260 280 240	18 9 23	29	40 28 38	14 27 18	16 28 19	20 32 23
Com. Union (*435)	390 420 460	47 17 2	62 40 19	62 48 24	2 4 27	14 30	12 21 37	Cadhuy Sch	330	40	11	19	7	Z2 12	25 20 30	(*244) Midfand Bk (*323)	257 300 329	12 32	42	5	6 17	12	20
G.K.N.	360 390	25	45	Ξ	1 12	8	-	(*360)	360	20	41	33	18	24	30	R. Royce (*171.)	160 180	14 17 6½	24 14	27 16		6½ 16	_ 11 21
(*385) Erzef Met. (*538)	500	40	28 70	37 80	12 2412	20	30	(*993)	550 600 650	52 20 4	77 42 22	20.00	7 25	15 25	200	Seas (*101.)	100	7	11,	14	5 12	7	8 15
(330)	. 55 0	7	46	55	17	29	41	CEC (*223)	220 240	12	20 10	29 17	7 20	10 21	13 21	THF (*301.)	280 300	35 22	47	52	8	11	15 25 40
16.1. (*1164)	1100 1150 1200	75 23 8	95	115	17 45	¥ 3	- 55 80	Haracon (*211.)	200 220	17 5½	28 9	27 16	<u>객</u>	8 181 ₂	10 20	There EMI (*712)	330 700 750	9 50 23	77	26 107 72	34	37 35 60	40 40 64
Jaguar (*662-)	600 650 700	68 35 18	118 90	140 113 90	13	37	. 50 82	LASMO (*495.)	479 500	35 22	46	63	10 20	30	37	TSB (*104)	100 110 120	9 4	13		3 10 18	5 11 18	5 11 19
		18	66	90	60	87	102	P. & O. (*576)	550 600	43 15	70 47	78 50	10 32	17 40	25 55	Vaal Reefs (°576)	70 80	10	12	13	3	6	7 12
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CURRENT ASSETS 113,112 Work in progress 795,047 Debtors Cash at bank 917,024 or in hand

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Application has been made to the Council of The Stock Exchin the United Securities Market. It is emphasized that no as



Riva Group Plc

Rights Issue of 5,999,987 new Ordinary shares of 10p each at 105p per share Subscription

for 8.000,000 new Ordinary shares of 10p each at 105p per share in connection with the offer for Hugin Sweda Group Plc.

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Particulars relating to Riva Group Pic are available in the Extel Unitated Securities Market from the Company Amountements Office of the Stock Exchange on the 19th and 20th Ocany weekstay (Saturdays excepted) up to and including 1st November, 1989 from:

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18th October, 1969

Guaranteed Floating Rate Notes Due 1990 (the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Clause 5(b) of the Terms and Conditions of the Notes, Bank of Tokyo (Curacao) Holding NV. (the "Company") has elected to exercise its right to, and shall, redeem on 30th November, 1989, all of its outstanding Notes at the principal amount thereof together with accrued interest to such date of redemption.

AGB, there are plans to seek a

The disposal of Maxwell Graphics, the US printing group, is believed to be immi-

expected to value Berlitz at

US printing group to be sold and 45% of Berlitz to be floated

Maxwell moves to reduce debt

between \$400m and \$500m with the net proceeds of between \$200m-\$250m (£126m-£158m). Mr Maxwell intends to continue holding a controlling interest in the language business acquired as part of last year's \$2.6bn Macmillan

well Graphics.
Mr Maxwell, chairman of
Maxwell Communication Cormaxweit Communication Cor-poration, said that Berlitz, which has 260 language centres in 25 countries, had filed initial registration documents with the Securities and Exchange Berlitz made profits last year of \$26.4m before interest on revenues of \$186.3m. Compound profit growth since 1984 has been about 28 per

proposed offering of 8.4m The partial flotation is nent and should bring in about

UK COMPANY NEWS

The Berlitz flotation plans mean that Mr Maxwell, who decided last year to concen-trate almost wholly on publishing, could have five quoted vehicles in London and New

In addition to Berlitz and the listed MCC and Pergamon quotes for Mirror Group News-papers and a school publishing joint venture in the US between Macmillan and McCraw-Hill.

It is also likely that Maxwell Communication will go down the partial privatisation routs

with Official Airline Guides, the company bought from Dun & Bradstreet for \$425m last On Berlitz the plan is to offer 5m shares in the US and the

remaining 3.4m elsewhere. Coldman Sachs will manage the entire offer.

Berlitz International, with headquarters in Princeton, New Jersey, publishes pocket travel guides and phrase books as well as offering commercial translation services and lan-

guage inition.
Last week Mr Maxwell completed a \$3.5bn restructuring of his debt at what he described as "very fine rates".



Robert Maxwell: keeping a controlling interest in Berlitz

First Technology purchases Palcon Systems for up to £6m

By Nikki Talt

By Raymond Snoddy

MR ROBERT MAXWELL, the

publisher, plans to reduce further the debt taken on through the acquisition of Macmillan, the US publisher, by floating 45 per cent of Berlitz International, its language instruction subsidiary and the sale of Maxwell Cambrics.

Commission in New York for a

FIRST TECHNOLOGY, the security and safety systems company, yesterday announced the purchase of Palcon Systems – which specialises in the design, manufacture, installation and maintainance of control and warning systems

- for up to 50m.
Palcon, founded in 1979, is based in High Wycombe, Buckinghamshire. Its systems, principally involving air-conditioning and energy management ing and energy management rather than security, are used in industrial and commercial

huildings.
First Technology said this will dovetail well with its existing security expertise.
In the year to end-March,
Palcon's pre-tax profits were
£648,000. Book value of net
assets amounted to

Under the terms of the deal, First Technology is paying an initial £2.77m for Palcon, comprising £925,000 in First Technology shares and the remainder in five-year loan

INTERNATIONAL

ADVERTISING

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FINANCIAL TIMES

If certain profit targets are bettered in the 25-month period to end-April 1991, an additional deferred payment will be made. However, the total payment cannot exceed £6m, and First Technology said that the terms of the deal give a final enit p/e after tark of under saven

after tax of under seven.

Any further consideration will be paid one third in new shares and two thirds in three-

year loan notes.

The vendors will hold any new shares for at least one

Associates help Derwent Valley improve to £2.4m

DERWENT VALLEY Holdings, the property investment, development and trading group, lifted taxable profits 42 per cent to \$2.4m in the first half of the first

To further reduce disparity, the interim dividend is raised up to 2.5p, payable from earn-ings of 20.85p (13.85p) per 5p The advance from the £1.69m recorded in the corresponding period of the previous year fol-lowed a 48 per cent expansion

DIVIDENDS ANNOUNCED

	Current payment	payment	ponding	year	year
Albafin	2.86	Jan 8	2.85	4.35	4.35
Attied Rost §fin	1.1	Nov 20	1	1.05	1.5
Amstredfin	1		1	1.4	1.4
Attwoodsfin	5.5t	Jan 31	. 5	8	. 7
Boosey & Hawkesint	3.3	-	. 3 . .		10
Castle Comune §fin	5	Dec 11	. 4.2	8.5	7.2
Derwent Valleyint		·	1.5		6.1.
Exmoor Dual inve-fin	2.35	-	_	8.1	
Huetingint		Doc 12	2.2	^ _	6.7
Jackson Groupint	1	Nov 24	0.65*	-	2.65
New Irelandint	3.				9.31
Paterson Zochfin	6.66	Dec 5	5.95	. 8.6	7.8
Remus Hidas S	5		5	7.5	7
Roskel 5	1.3				3
Serif Cowells ∬	1.5	Dec 4	1.5		6
Tudor §int	1		0.67*	₹	2,67*

Dividends shown pence per share net except where otherwise stated *Equivalent after allowing for sorip issue. fOn capital increased by rights and/or equisition leaves. \$USM stock. \$SUnquoted stock. \$Third market. \$Irish currency; \$Income shares.

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WENDY ALEXANDER

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NOTICE OF REDEMPTION BANK OF TOKYO (CURACAO) HOLDING N.V. £30,000,000

thereof together with accrued interest to such date of redemption.
The payment of the redemption price and the accrued interest will be made on and after 30th November, 1989, upon presentation and surrender of the Notes together with all coupons appertaining thereto maturing subsequent to 30th November, 1989, at the principal office of Bank of Tokyo International Limited, as Principal Paying Agent, Northgate House, 20/74, Moorgate, London, EC2R 6DH; or at the principal office in the city indicated below of any of the following Paying Agents:

The Bank of Tokyo, Ltd., Brussels; The Bank of Tokyo, Ltd., Paris; The Bank of Tokyo (Holland) N.V., Amsterdam; Bank of Tokyo (Deutschland) A.G., Frankfurt; The Bank of Tokyo (Luxembourg) S.A., Luxembourg; Bank of Tokyo (Switzerland) Ltd., Zurich.

On and after 30th November, 1989, interest on the Notes will cease to accrue.

Bank of Tokyo (Curacao) Holding N.V. By: Bank of Tokyo International Limited 39 As Fiscal Agent 18th October, 1989

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UK COMPANY NEWS

Currency influences dog Paterson

By Clare Pearson

THE DECLINING Nigerian naira confinded to depress profits of Paterson Zochonis, the west African trader and manufacturer of tolletries and detergents, in the year to end-may.

The group, which owns Cussons, maker of imperial Leather soap, posted a decline from £24.22m to £23.39m in pre-tax profits. Turnover rose to £265.56m (£190.39m).

However, a tax charge four percentage points lower at 34 per cent left earnings per share marginally higher at 30.14p

Investment income rose to. £16.83m (£14.74m). Seventy per cent of PZ'a investments are currently in sterling deposits, with the balance split between foreign currency deposits and international equities.

Pre-tax profits for the first

ent

COMPANY COMPAN

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h this

half of the current year were likely to be in line with last year's £10.92m, PZ said. Support for expansion and new launches of Cussons' products

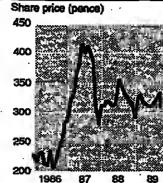
were likely to absorb any increases in profits from this business for the time

Meanwhile, the naira remains at its year-end level of 8.6p (against a May 1988 level of 18.3p) in the face of further economic measures to tighten the credit soneeze.

PZ said so far most group operations in Nigeria were maintaining sales volumes, though margins were lower. During the year under review, profits grew by 30 per cent in local terms. hiterparco, which trades in

French-speaking west Africa, experienced success with rationalisation measures but trading conditions remained difficult.

was made in consolidating new operations in Thailand and Indonesia. Recently expanded operations in Australia increased sales by 30 per cent. The business did well in the UK, with new shower and Paterson Zochonis



bathing products increasing sales and Imperial Leather holding its market share. The final dividand is increased to 6.65p (5.95p), making 8.6p (7.8p) for tha

COMMENT Paterson Zochonia, with invest-

Nevertbeless, Mr John

DRG promises early profits ments worth nearly £150m, looks like a spectacularly safe haven for longer-term funds at the moment. However, with the Zochonis family holding 65 forecast per cent of the company and determined to grin and bear it till better timee turn up in By Clare Pearson

DRG, the paper and packaging company under pressure from the £697m hostile cash offer launched by Pembridge Investments, a Bermuda-based vehicle, yesterday promised shareholders a profits forecast in short order.

This was after DRG's shares had for the first time fallen below the level of the 590p cash offer from Pembridge amidst Monday's stock market turbulence. Pembridge then lifted its stake from about 24.5

to 29.9 per cent.
Yesterday DRG shares closed 10p higher at 579p.
Mr Moger Woolley, chief executive, said the profits forecast would come sooner than earlier envisaged, although not until after a statement had been made on whether Pembridge's offer would be referred to the Monopolies Commission. He expected this to come next week.

DRG yesterday also promised shareholders a statement on future dividend policy and further details on property profits, expected to be significant components of its results

over the next few years.

Today marks the first closing date for Pembridge's offer.

Tha offer significantly undervalnes the company, despite the turbulence recently displayed by world financial markets, DRG said. It urged shareholders to bold on to

Mr Woolley added that he believed there was widespread concern among MPs and oth-ers about various aspects of Pembridge's bid, such as the fact that it was launched from a tax haven and was highly leveraged.

Hartley Baird

Hartley Baird has paid £1.5m for Nemco Holdings whose principal trading subsidiary Klaxon manufactures a range of fractional horsepower electric motors. Of the consideration County Natwest Ventures took 1.67m Hartley Baird ordinary at 60p per share. Bal-ance satisfied by a combination of cash and loan notes.

behind Hunting's 45% rise

HUNTING, the defence, aviation oil and technical group formed in the summer from three family-controlled companies, showed a 45 per cent increase in pre-tax profits to £17.8m for the six months to June 30.

The results were helped by a rise to £9.86m (£4.66m) in the defence division and a profit on proerty disposals this time of £1.54m. However there was a loss of £1.29m in the technical division, against profits of £86,000.

Turnover rose 15 per cent to £336.7m (£292.6m) and fully diluted earnings per share were 12.2p, compared with 9.3p. An interim dividend of 3.5p will be paid.

Before this week's stock market fall, the price/earnings ratio bad improved from between seven and eight for the largest of the three constit-uent companies to 10 for the new group. In August, the gronp

acquired Irvin Industries, a US maker of airborne weapon retarders and paracoutes which had a turnover of \$65m (£41m) in 1988. Hunting's 40 per cent gearing was mostly related to this. Through borrowing in dollars, it had little exposure to high UK interest

sive performances. Mr Ken Miller, managing director, said that most of the profit fall from £3.22m to £2.69m in the aviation division was caused by the grounding of Air Bridge Carriers' fleet of merchantmen for structural modifications.

Defence division increase

Better news came from the buoyant business in fitting out small passenger aircraft: Britand 41 and the Saab 340. Because many of these were being sold to the US, Hunting was planning to establish its Field Aviation subsidiary

The oil division showed a small profits growth to £4.23m (£4.15m). This represented a better than expected result from the Canadian crude oil business. Specialised products, such as paints and putties, had suffered from a downturn in the UK DIY market. There had also been start-up costs from launching the Hammerite rust prevention product in tha

Losses of £1.29m were made by the technical division. Earnings from resource survey (advising overseas countries on land use) and photographic services were more than cancelled out by losses in other activi-ties, including car components, high-resolution graphics termi-

Thesa would be closely examined in a review of the group's 20 businesses, due to be completed in a few months' time, said Mr Miller.

The challenge facing Hunting is to improve the performance of its non-defence businesses so that they can take up the running on profits growth when sales of the stalwart JP233 start to decline next year. The defence platean is likely to last until 1992 when SWAARM and MLRS are expected to gather momentum. Some nettles have to be grasped in the review and the company is playing its cards close to its chest over candidates for sale, even though some analysts think that com-posites and precision engineer-ing are obvious examples. There are two schools of thought on whether the company has been sufficiently rerated. Some analysts say the p/ e is about right because of the prospect of flatter earnings from defence. Others point out that the price is on the cheap side in the aerospace field With a prospective multipla of less than 8 on the pre-tax fore-

L&G experiences slowdown in personal pension market

By Eric Short, Pensions Correspondent

ONE OF the major conclusions personal pension and the comarising from the first nine months new business figures issued yesterday by the Legal & General Group was that the personal pension market was very quiet in the third quarter of the year, following the boom

in the first few months. Third quarter new annual premiums of L&G, one of

pany pension markets, were just 4.5 per cent higher at 218.4m (£17.6m) while new single premiums, excluding payments from the Department of Social Security, were about last year's level of £16.3m.

The third quarter is nor-mally a quiet period in the individual pensions market. People generally leave their pension arrangements until and financial services groups pension arrangements untand a major player in both the much later in the tax year.

BOARD MEETINGS

The lotiowing companies have notified dates of board meetings to the Stock Exchange. Such meetings are susually test for the parpose of considering dividends. Official indicators are not available as to whether the dividends are that this or Sholls and the sub-dividends are that this or Sholls and the sub-dividends are that the sub-dividends shows, below that based insidy on last year's timotable.

Metables - Benier Romes, Book (Henry), Mac Mac Bracken Mines, British Shoe Corporation, Pro-Brandstoner, Chesterfeld Properiles, City of Oxford Trust, Devier & Newman, Elaburg Gold Mines, Pro-Bes, Icel (HJ) Gold Mines, Kinrous Mines, Leatla Gold Mines, Patricocu, Randfontehi Estate, Canta Gold Mines, Petrocon, Randfontehi Estate, Canta Gold Mines, Witwester Artes Gold Mines, Willest Gold Mines, William Mines, Willest Gold Mines, William
Elbourne, group director (life and pensions), was pleased with the manner in which pension sales were holding up. At the mine-month stage to end-September, new annual

premiums on individual pensions were almost 30 per cent higher at £67.5m (£52m) and single premiums had more than doubled from £60.1m to £161.8m - a figure which included £76.6m rebate payments from the DSS. Group life and pension busi-

ness rose by more than 40 per cent in the third quarter from £9.5m to £13.4m, reflecting both growth within existing schemes and new schemes being set up. However, the continuing dull conditions in the house mort-

gage market resulted in a third quarter fall of 13 per cent in

new annual premiums on mortgage-related business from £32.7m to £28.4m. Unit linked life and unit trust business remained flat over the period.

Roskel rises 45% to £1.4m

Nigeria, and growth in the Cussons business slow and

costly (sinca acquisitions are

seen as too expensive), there is little else of interest in tha

shares. At the end of the day, PZ's investment in the Pacific Basin, together with long sufferance in Nigeria (the focus of its trading operations for 100 years) could pay off handsomely. Much depends on the page but this year the com-

naira but this year, the com-pany is indicating, higher

pany is indicating, higher interest payments on the cash pile should help to offset lower margins in west Africa to produce roughly the same pre-tax outcome, though eps may be somewhat lower. A prospective p/e of over 10 does not look cheap relative to other over-cess traders but that is berely

seas traders, but that is barely to the point. For the patient.

Roskel, the USM-qnotad suspended ceiling contractor and distributor, lifted pre-tax profits for the six months to June 30 by some 45 per cent to £1.42m on turnover ahead from

£10.4m to £12.99m. Mr Simon Skelding, chairman and managing director, said the level of enquiries and forward orders for the con-tracting division for 1990 was at a higher level than this time last year.
After tax of £510,000

(£353,000) earnings per share emerged at 9.92p (5.23p) for an interim dividend of 1.3p.

Geers Gross ahead .9% to £161,000

agent and consultant, reported pre-tax profits up 9 per cent from £147,000 to £161,000 in the six months to end-June 1989. The result came from a 3 per cent increase in turnover to £18.14m (£17.63m) and earnings

(0,97p). The directors said the com-pany was moving ahead of the industry as it had anticipated the changing nature of the sector's new profit base.

per 10p share improved to 1.06p

Brunning warns of significant losses and shares decline 17p

By John Ridding

BRUNNING GROUP, the advertising and marketing company, warned yesterday that its interim results would show a "significant loss" and that full-year profits would above a full form less record. show a fall from last year's

The sbares, which bave fallen steadily since mid-September, lost a further 17p yes-

terday to close at 105p.

Mr David Linnel, chairman,
who assumed executive responsibilities following last months's departure of Mr Tre-vor Shonfeld, group chief exec-utive, said that the first half had been "materially affected

by costs associated with the

tancy Group in January for

Mr Linnel said that a number of steps had been taken to restore the group to a sound base. Mr Neil McLure, formerly finance director at FKB Group, the marketing and sales promotion company, has been appointed chief executive. Overbeads have been cut, including a reduction in over-

According to Brunning, the

last year.
Following the departure of Mr. Shonfeld, Brunning is focusing on developing its UK businesses rather than international expansion. It has dis-solved its joint venture with Ketchum Communications, the US agency, only one year after it was set up.

In the year to March 31, Brunning increased pre-tax profits from £873,000 to



UK COMPANY NEWS

Caparo extends offer for **Armstrong Equipment**

By John Ridding

CAPARO GROUP, the private holding company headed by Mr Swraj Paul, announced that it had received acceptances representing 30 per cent of the shares in Armstrong Equip-ment, the industrial festener and and engineering company, for which it is hidding £95.8m.

But the level of acceptances et Monday's first closing date represent an increase of only 0.8 per cent over the stake held by Caparo prior to the bid. The offer is being extended to Octo-

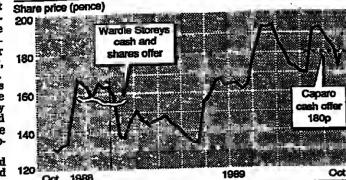
ber 30.

Analysts said that the bid was still in its early stages and that first closing dates generally show a low level of acceptances. But they expected that Caparo would have to improve

its terms to be successful.

Mr Paul said that the curmr Paul Sant Inter the stock mar-rent volatility of the stock mar-ket would make the bid increasingly ettractive to investors. He added that Arms-trong's share price, which closed yesterday at 178p, had fallen below the 180p per share offer and that the cash nature of the bid improved its chances in the current uncertain envi-

Armstrong Equipment



But Mr John Pratt, Armstrong's finance director, said that be was delighted with the level of acceptances. He said that the number of new acceptances was even lower than thet received by Wardle Storeys in its bid for Arms-

trong earlier this year.
Mr Pratt accepted that cash could be more attractive to investors in the current market conditions but argued that "if investors were going to get

nervous then Monday would have been the day." have been the day."

Armstrong has cash holdings estimated at £40m following the sale of its suspension division earlier this year.

Mr Roy Wetts, chairman, said that the strong balance sheet meant that the company

was "particularly well posi-tioned to take advantage of opportunities which will arise in the prevailing economic con-

Record trading lifts shares in Ashtead

SHARES IN Ashtead Group, the USM-quoted plant and machinery hire group, bonnced back 18p bonnced yesterday to close at 260p after Mr Peter Lewis, chairman, told the annual meeting that trading in the first five months of the ent year was at record lev-

The shares lost 28p the previous day and had been at 325p following the report of the 1988-89 results in

Mr Lewis said that continu-ing high levels of spending in the construction and civil engineering industries supported further

More than half its profits were generated in the midlands, north of England and Scotland and it had only a smell exposure to the housebuilding

market.
Reliant Plant, acquired in
January, was making an
increasingly profitable contri-

Alba dips to £4.1m as interest rates bite

By Ray Bashford

ALBA suffered a decline in pre-tax profits during the 12 months to June 30 amid increasingly difficult trading conditions in the consumer electronics industry.

Profits fell from £4.61m to £4.08m. Sales, however, rose 79 per cent to £73.77m aided by contributions from two acquisi-

Mr John Harris, chairman, said the performance was satisfactory when compared with the recent records of other companies in the industry which have been more severely affected by the impact of higher interest rates.

However, he added that while interest rates remain at their prevailing levels its was "unlikely that we will see a significant upturn before the end of the content formatical." end of the current financial

The total dividend is held at 4.35p with a maintained final

Alba France, formerly Telecrodis, which was acquired for ffr22.5m (£1.06m) in August last year as a springboard for continental European expan-sion, performed well below

As the result of a £500,000 loss, against an expected profit of the same amount, Alba France has been moved to new premises and the management structure has been altered.

Bush Radio, purchased for the min May last year to expand Alba'a distribution operations, operated profitably although a people of the profitably although a people of the the forced sale of obsolete

stock reduced margins.
The latter acquisition boosted turnover by £21.9m while Alba France returned sales of 28.4m. Combined, these accounted for the bulk of the increase in group turnover.

Alba's move last August into satellite broadcast receiver retailing returned sluggish

Mr Harris said that after ini-tial strong sales as customers built up inventory levels, the purchase level from consumers declined, although there has been evidence of an improve-ment since the close of the

financial year.

Despite the prevailing confusion and controversy within the UK satellite market, Mr Harris remained confident about the longer term outlook for the industry.

Castle improves 70% to £1.79m

CASTLE Communications, the USM-quoted record and video company, returned profits of 21.79m pre-tax for the 12 months ended June 30, a 70 per cent improvement on the previous year's £1.05m.

Turnover of the enlarged company accelerated from £9.74m to £20.94m and further ecquisitions in the current year will take Castle into new geographical territories such as Australia and West Ger-

many.
Examings per 5p share rose
by 10p to 28.5p and the dividend for the year is being
stepped up from 7.2p to 8.5p via
a final of 50.

Setback at New Ireland

New Ireland Holdings, the Dublin-based composite insurer, yesterday announced taxable profits of I£1.27m (£1.15m) for the six months to

The result showed a 24 per cent decline on the I£1.68m achieved in the comparable period of 1988. Earnings per 10p share dipped to 6.03p (10.23p), but a maiden interim dividend of 3p is declared.

Ramus warns of poor first half

Ramus Holdings, a ceramic tile maker, reported pre-tax profits up from £1.03m to £1.26m in the year to June 30 1989. Mr Lionel Ramus, chairman, warned that results for the six months to December 31 would be poor but said there would be a revitalisation of the com-

stantial medium and long-term growth potential. Turnover rose to £51.67m (£44.61m). Earnings per share came out at 19.5p. (12.9p) and the total dividend goes up to 7.5p (7p) with a same again final of 5p.

pany's market which had sub-

CASTLE

Sweeter note from Boosey & Hawkes

A 25 per cent improvement in interim profits was yesterday reported by Boosey & Hawkes, the sheet music publishing and instrument manufacturing instrument manufacturing

group.
At the pre-tax level for the six months to end-June, profits expanded to \$275,000 (£698,000) on turnover of £21.05m

(£19.35m).
The company had seen "encouraging" growth in the number of performances of works by its contemporary composers leading to progress in both sheet music and royalties. All instrument factories increased output during the period, directors said.

An increased interim dividend of 3.8p (3p) is declared, payable from earnings per share of 10.7p (8.5p). (£19.35m).

Molyneux Estates assets increase

Molyneux Estates, the property investment company, has increased its pro-forms net assets to £14.3m, or 79p per share, compared with £10.9m at the time of its flotation on the USM in June this year.

In that time it acquired a variety of properties at a cost of about 29.65m. The enlarged portfolio had been valued et £30.4m giving a surplus of

The increases were amounced at the same time as results for the year to June 23 which showed pre-tax profits of £4,000 on turnover of £574,000. That compared with profits of £216,000 on turnover of £587,000 for the 15 months to June 23. After tax of £3,000 (£4,000) earnings per share were 0.04p

Compensation and closure costs hit Serif Cowells

COMPENSATION of £684,000 compensation of £684,000 paid to three directors and a loss of £325,000 on continued operations, related to the closure of the book and colour operation of a subsidiary, left Serif Cowells, best known for the Trivial Pursuit board game, with pre-tax profits for the six months to end-June of the six months 274,000 against £1.81m - com-parisons have been restated.

that it was closing the book and colour operation with the loss of 140 jobs. The business made a loss of £300,000 last

Peter Barker, chairman of the USM-quoted leisure, print-ing and publishing group, said it was with a sense of cautious optimism that the company entered the second half of the

Trivial Pursuit sales and orders, some 8.1m units last year but only expected to reach 2m this, were ahead of budget. Spottiswoode Ballantyne had performed above forecast and the publishing division had also performed well.

Nintendo, said to be the world's best selling electronics game system, was not expected to contribute to profits this year but would make a "significant return" from 1990.

Turnover was £22.4m (£27.9m). Tax took £26,000 (£633,000) and earnings came out at 0.2p (4.8p restated). The interim dividend is maintained



Allied Restaurants advances to £0.96m

Pronts USM-quoted Allied Restaurants rose from £805,000 to £959,000 for the year to July 16 1989. Turnover expanded by £5m to

The dividend for the year is lifted from 1.5p to 1.65p via a final of 1.1p.

The directors said their

strategy to create a more broadly-based leisure and catering group was proving to be successful. All-round growth

at Jackson Group

A "solid" performance from all divisions helped Jackson Group, the Ipswich-based construction and industrial services company, produce e 61 per cent expansion in interim

On turnover ahead 30 per cent to £26.27m, the pre-tax line advanced from £790,000 to £1.27m. Earnings per 10p share improved to 3.7p (2.3p) and the interim dividend is raised to 1p

(0.65p adjusted).

Republic of Italy ¥ 150,000,000 Floating Rate Meter day

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October 18, 1989 By Officenk, N.A. (CSSI Dept.) London Fiscal Age

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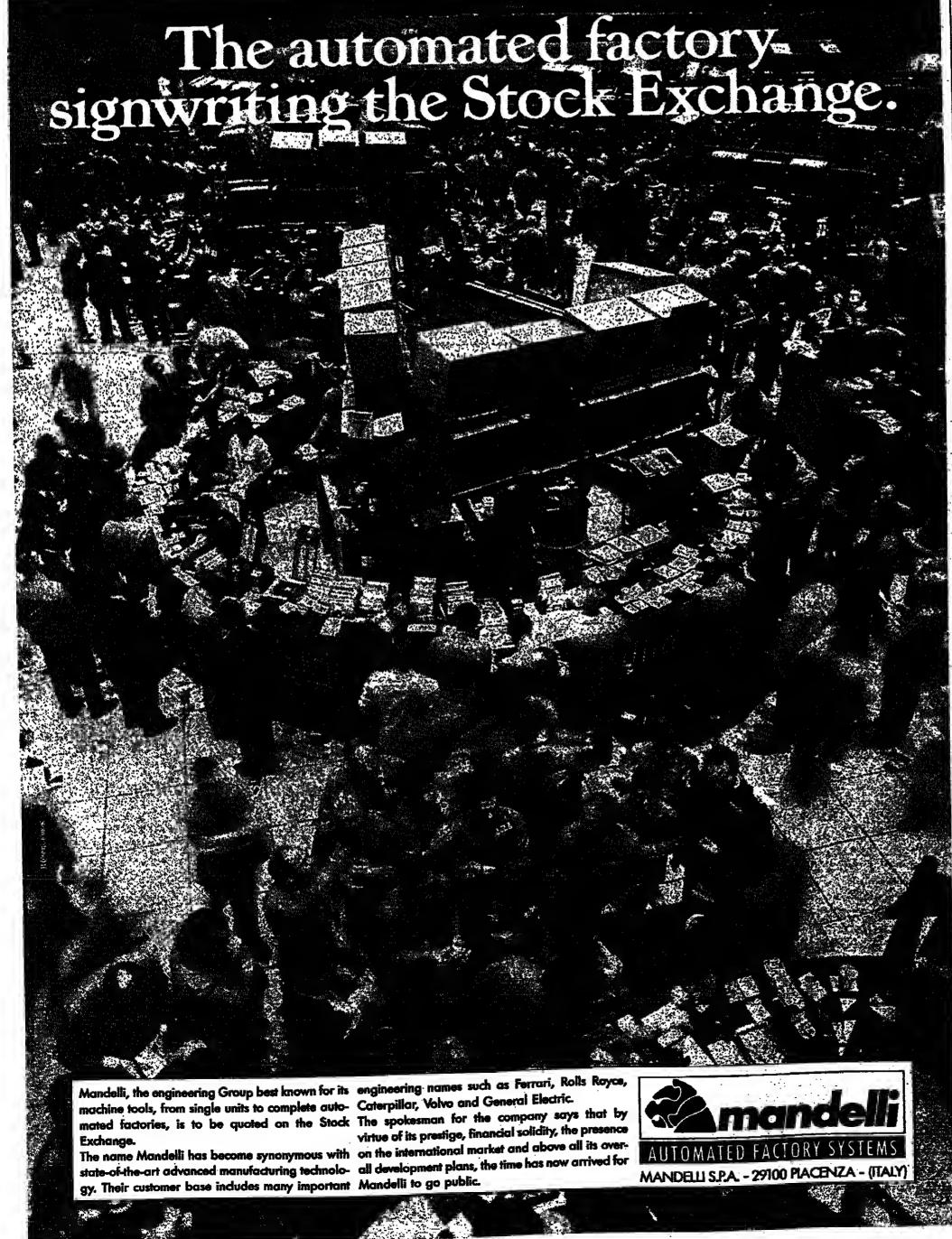
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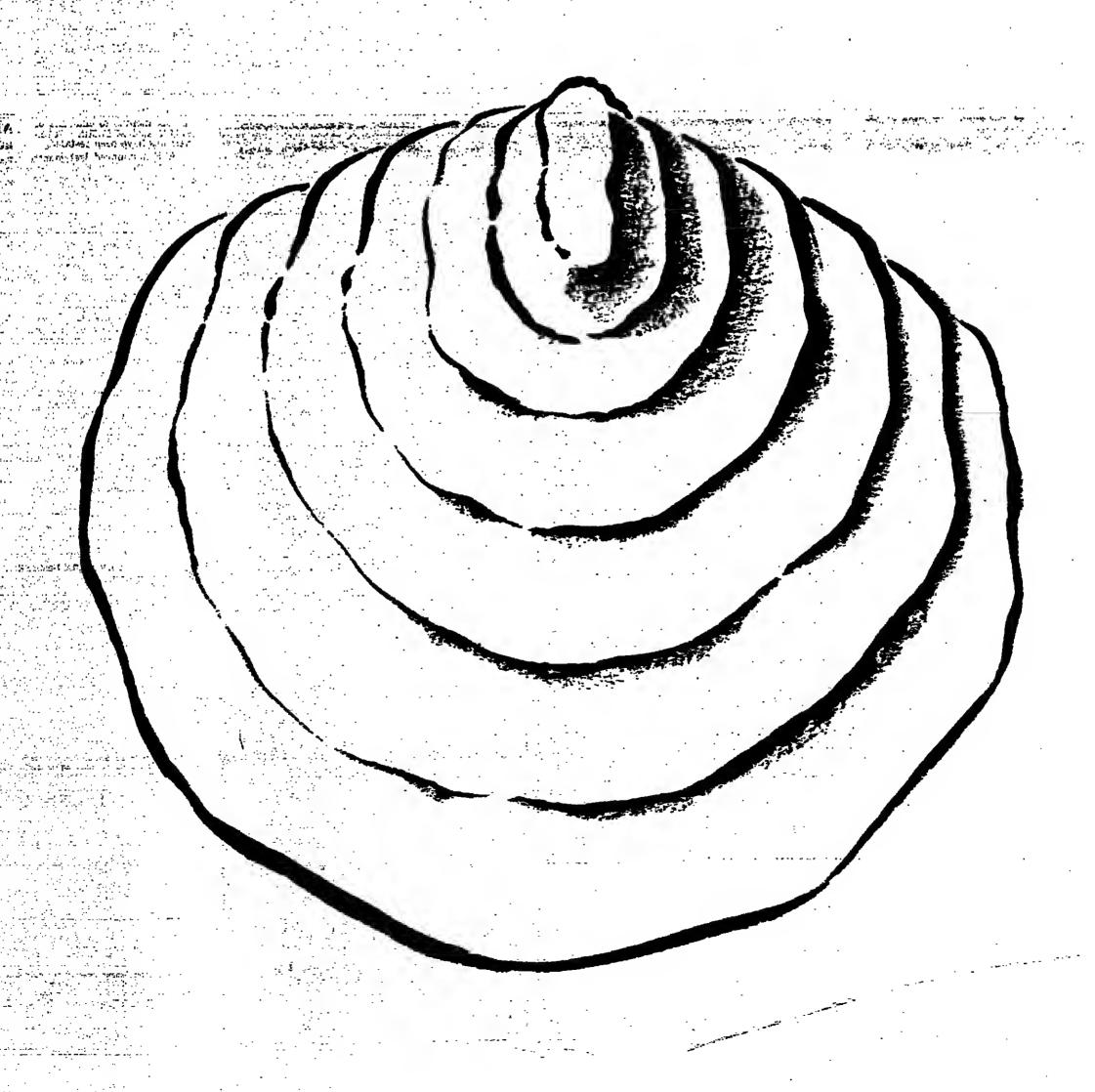
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CONTRACTS

Environmental control at Sizewell

environmental engineering specialist, TAYMECH, has been awarded a contract by the Central Electricity Generating Board worth over £30m for the design and installation of heating, ventilating and air-conditioning (HVAC) systems at Sizewell B nuclear power sta-

This is the first pressurised water reactor (PWR) to be built in the UK, although PWRs have been in use throughout for many years. The HVAC systems at Size-

well B have to conform to strict standards relating to station safety. As a result much of the equipment has to be seismically and environmentally qualified with airtight, allwelded ductwork manufac-tured to the nuclear industry specification AES.6008.

The systems incorporate almost 1,000 high quality fire dampers which have electro-

Automated voice system for directory enquiries

STC TELECOMMUNICATIONS has won an order worth £15m for an automated voice response system (AVR) to be used in British Telecom's

directory enquiry service.

It will enable British Telecom's operators to process more calls. The operator, on receiving a directory enquiry, will search the computerised will search the computerised Directory Assistance System (DAS), to find the required name and number. Then, instead of personally giving the information to the caller, the operator will pass the enquiry to the AVR system which will "speak" the tele-

phone number. The number will be repeated twice. Should the caller require further assistance, he or she will simply stay on the line and be reconnected to the operator.

The system, which is based on human voice recordings, were fixed paness between

uses fixed panses between phrases, variable pauses between digits and different inflections to produce what are claimed to be natural sounding

The AVR system is produced by Computer Consoles Incorpo-rated (CCI) of Rochester, New York, US, a wholly-owned subsidiary of STC.

£11m nuclear engineering orders

THOMPSON NUCLEAR ENGINEERING, a business unit of NEI Thompson of Wolverhampton, has won orders worth a total of more than

film for equipment for the UK nuclear industry.

The first order comes from the South of Scotland Electricity Board for a remotely oper-ated fuel element bottling facility at its Hunterston B power

British Nuclear Fuels has ordered six swarf retrieval flasks, each weighing about 31 tons, for use at Sellafield.

Finally, the Ministry of Defence has ordered a swarf oxidation plant for use at

NEI Thompson is part of Northern Engineering Indus-

Tesco supermarket in Blackpool

The TAYLOR WOODROW GROUP's northern regional construction company has won three contracts with a combined value of some £14m.

The first is a design and build contract for a supermar-ket, car park and petrol filling station for Tesco Stores in Blackpool. This retail development is the third such project TWC (Northern) has under-taken for Tesco and is due for completion in mid 1990. The project is valued at £8m.

Secondly TWC (Northern) is to design and construct an extension to the sewage treatment works at Aldershot for the Thames Water Authority. TWC (Northern) will complete all civil, mechanical and electrical engineering work related to the project, valued at over

The third contract is to design and construct a maternity unit at Hartlepool General Hospital. The client is the Northern Regional Health Authority.

the major industrial nations hydraulic actuators, as well as normal thermal release mechanisms. They can be zone or

group controlled. The refrigeration and condensing plant supplied as part of the contract has a total cooling capacity of 3,000 kW, while chilled water to several of the air handling units is supplied from a central station chiller plant in a separate contract. A number of systems are designed for continuous operation - even in the event of an

earthquake - and for a 40-year station life. All the installations and equipment are controlled and continuously monitored by some 400 local control

panels. Work on the Suffolk site is due to start in March 1990 with completion at the end of commissioning in November 1993. The station itself is programmed to go into commercial operation in 1994, when it will have an output of 1175

Transaction terminals to check plastic cards

Barclays Merchant Services is augmenting its UK-wide card payment and verification sys-tem with £10m worth of Racal transaction terminals over the next two years.

RACAL-TRANSCOM will supply a range of equipment, including its recently announced TCL 210 terminal which Barclays will market as PDQ II. These help to eliminate credit card fraud and allow retailers and other card-accepting businesses to save time and avoid errors in processing plastic card payments.

The terminals supplied to Barclays are to be used on its

country-wide PDQ (Processes Data Quickly) system, and will be installed in retail outlets all over the UK, particularly in market areas where high value or high-volume transactions

are routine.
In locations equipped with
TCL 210 terminals, when a customer pays by card the seller
simply "wipes" the card
through a reader in the terminal. Within seconds the card is
checked against a rearriable checked against a regularly updated electronic list of stolen or otherwise refused cards and payment is authorised where appropriate. The customer signs a voucher printed from the terminal.

Landing gear for Jetstream 41

BBA GROUP, a diversified multinational industrial group, has been selected by British Aerospace to supply main and nose landing gears, including the steering system, for its new seat regional airliner, the Jetstream 41.

A subsidiary, AP Precision Hydraulics in Liverpool, already supplies hydraulic controls for the smaller Jetstream 31, and it is expected that some or all of these controls will be

Prototypes for the \$46m contract are to be delivered in 1990. Full production starts in 1991 and runs for over 10 years.

Equipping a naval supply ship

NEI CLARKE CHAPMAN, Gateshead, has won a £4.5m contract to supply equipment and systems to the Royal Fleet Auxiliary supply ship AOR 02. The 32,000 tonne vessel is

being built by Swan Hunter Shipbuilders on Tyneside, Clarke Chapman is to supply four replenishment at sea (RAS) stations, six cranes, winches and windlasses, car stans and steering gear. The RAS stations were developed under a separate Royal Navy contract, and enable RAS

operations to be undertaken in harsher sea conditions and more rapidly.

-

NEI Reyrolle, of Hebburn, has won an order worth almost has won an order worth amost £2m from Northern Ireland Electricity to modernise the switchgear at its 300kV substation at Ballylumford. The SF6 switchgear will replace the airblast circuit breakers to problem. vide improved performance with lower maintenance costs. Both companies are part of Northern Engineering Indus-

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National Engineering Laboratory - CIM Applications Centre -

The CIMAC facility has been set up to disseminate expert advice on Open Systems (OSI) standards based communications and to create a greater awareness of the potential benefits of Computer Integrated Manufacture. In addition CIMAC provides extensive consultancy on

various aspects of CIM. warious aspects of CIM.
With this in mind, the CIMAC group are launching a series of short workshops (mornings, afternoons and evenings) throughout November 1989. These workshops will make considerable use of the centre's unique manufacturing demonstration facilities.

Contact Geraldine Bruin

- Vision Centre -

The national Vision Technology Transfer Centre (VTTC) to be launched in January of next year has been set up to encourage the uptake of vision technology by U.K. industry. It will be a unique facility offering to all sectors of industry:

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NEL's own research work in computer vision and associated high speed processing will also be highlighted.

Contact Stephen Alexander

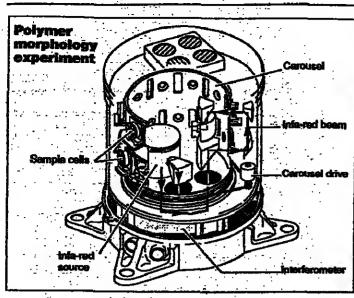
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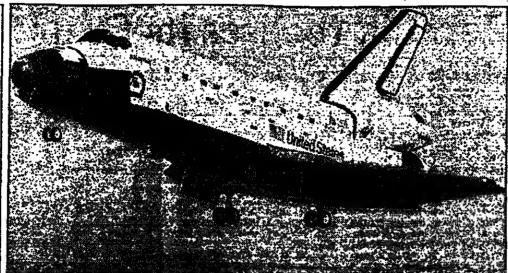
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TECHNOLOGY





he Atlantis space shuttle was scheduled to take off from the Kennedy Space Centre in Flo-rida yesterday despite protests over two plutonium nuclear reactors being send to Jupiter on board the Gali-

The protestors were local people worried that the shuttle might explode and scatter plutonium over the state. Legal attempts to stop the launch before it was postponed last week were rejected by a Washington DC judge. In the end it was a computer malfunction that caused that delay.

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The postponement npset scientists, who were anxious to see how six experiments on board Atlantis would fare under the low gravity conditions of earth orbit. The experiments are designed to discover how processes and materials are affected by microgravity. Scientists hope the experiments will benefit industrial processes, while recognising that much of the work is pure science - involving research into electronic materials, metals, glasses and ceramics, biological materials and ricals - with no immediate pros-

pect of commercial application.

The experiments have re-opened a debate over whether microgravity in space is worth pursuing, especially since some of the experiments can be carried out on earth under simulated conditions. US and UK scientists have opposing views about the validity of

microgravity experiments.

The acquisition of basic scientific knowledge through space is considered by US scientists to be a big part of the development of improved products on earth. Commercial companies there provide their own funding and, encouraged by the National Aeronantics and Space . Administration (NASA), plough forward with microgravity experiments, however esoteric and risky they are from a

commercial viewpoint.
But in the UK, a report for the Science and Engineering Research Council on prospects for British participation in microgravity research, says most micro-gravity experiments are not worth pur-suing, at least in Britain. The report's

Lynton McLain assesses the progress of experiments carried out in space

The lost gravity of Atlantis

author, Sir Brian Pippard of the Univeranthor, Sir Brian Pippard of the University of Cambridge, says: "I see no strong case for becoming seriously involved." He says the "prospects for manufacture in space, whether of semiconductor crystals or pharmaceuticals, are poor."

The British National Space Centre, operated under the auspices of the Department of Trade and Industry, coordinates British efforts in space. It has some into closed seesion over how it

gone into closed session over how it should respond to the report. Sir Brian says that his arguments do not imply that participation is unjustified, but the arguments "hedge [the issue] around with such conditions as could only be met by strenuous lobbying, followed by a hard recruitment exercise to overcome the dearth of interest that is the harvest of years of neglect."

The only area that promises "significant extension of fundamental know-ledge" is the crystallisation and X-ray analysis of proteins, he says. British molecular biologists have regarded microgravity "coolly", but the latest (unpublished) reports from NASA may force them to reconsider their position, he save The Science and Engineering he says. The Science and Engineering Research Council, which channels Gov-ernment money for research, has said that it will not take part in the European Space Agency microgravity pro-gramme, which proposes research for the Columbus space station under development in Europe. Bill Mitchell, council chairman, said that there was "insufficient evidence of scientific promise to justify our involvement in a major programme."

In the US, commercial and academic scientists are not so cantious. They are contents with the pure science aspect of microgravity and hope that it will lead to an increase in knowledge. Commer-cial spin-offs would be a bonus, but so far it has not been a condition for

Gravity is a significant force in the tiny world of molecules. In the microgravity conditions of space, molecules may arrange themselves in stronger, more stable patterns. Lester Krogh. senior vice president for research and development for the 3M corporation, says that once microgravity is better understood it should be possible for techniques to be developed to trick nature into mimicking the conditions of microgravity. This could lead to ways of processing materials with new properies on earth and would overcome the limits of manufacturing in space.

The Atlantis experiments range from the "mesoscale lightning experiment" which will study the effects of lightning on earth to a sensor technology experi-ment which will determine the character of cosmic radiation and cosmic ray events. Another experiment, on polymer morphology, will measure the effects of the near-zero gravity of earth orbit on plastic materials as they are being formed. Measurements will be recorded every 3.2 seconds during the 100 hours of microgravity experiments.

The experiment is the first of a series of 62 space flight experiments under a 10-year joint endeavour agreement between NASA and the 3M corporation.

Polyethylene and nylon will be prorecessed in space. The nylon is to be made from its raw material, caprolactam, and then polymerised. Krogh says that one of the purposes of the polymer morphology experiment is to see if it is possible to increase the crystalline character of polymers. Orientating the molecules in polyethylene film in molecules in polyethylene film in microgravity could increase its

one product SM is considering for possible space experiments is gallium arsenide, e semiconductor material that is difficult to purify on earth. "Pure gallium arsenide would be extremely valuable," Krogh says. Experiments on proteins in space are important because the development and effectiveness of new drugs depend on an understandin of what protein molecules, some of the most complex in nature, look like.

Because proteins are difficult to crystallise perfectly on earth, our know-ledge of their structure is limited. "Yet in space, they crystallise automatically

in space, they crystallise automatically in perfect shapes," says Krogh. But the information can be analysed on earth and "you then know exactly how to put a drug into the keyhole of the protein." Microgravity experiments have produced perfectly circular polymer beads, used for calibrating hypodermic needles to national standards. This was impossible to do on earth. Microgravity research has also helped farmers. John Deere, the US farm equipment com-Deere, the US farm equipment com-pany, simulated the effect of micrograv-ity on the distribution of carbon in grey iron. Information gained enabled the company to produce stronger iron for its tractors.

Mr Thomas Wollner, a staff vice president for 3M corporate research, says that an understanding of the structure of matter "drives everything we do. We aim to find what part of a molecule is responsible for what properties."

3M makes hundreds of products, such as the yellow "Post It" notes that stick to the office wall or desk. These appear to be far removed from space research yet their design depends on an under-standing of materials and processes at a

Engineers who play with great balls of fire

David Fishlock visits the Winfrith nuclear testing laboratory

turned full circle on Winfrith Heath in Dor-set, where the chemistry and physics developed to simulate serious nuclear accidents are being recycled for the benefit of the oil and gas industry. Test environments for vio-lent events like explosions, fires and meltdowns are being

sought by oil companies to assess the safety of offshore assess the safety of offshore facilities. As one Winfrith sci-entist remarked: "It's lovely to break other people's toys." The Winfrith laboratory—

part of the UK Atomic Energy Authority (also known as AEA Technology) – is the centre for large-scale testing of nuclear equipment. Winfrith started operating in petroleum tech-nology in 1960. It began by sup-porting the Department of Energy with computer models of the UK's offshore oil reser-voirs, as a check on the industry's reserve estimates.

Two years ago, a consultancy business, Winfrith Petro-leum Technology, was set up by the laboratory. It is earning about £9m a year in consul-tancy fees, says Peter Parris, its managing director. "We don't want high volume – we want the profitable business." says Parris. This summer petroleum was designated one of the new business areas to be marketed by AEA Technology, bringing in the expertise of its

other laboratories. Testing engineering safety and reliability accounts for about 30 per cent of the laboratory's work, which has 1,800 staff and annual budget of more than 260m. Winfrith's approach to engineering studies is to combine scalemodel experiments (exploring designs) with computer models. Experiments alone are insufficient, says Derek Pooley, its director, but they can be

models. Winfrith's test environment offers three main things: simulated collisions between objects after an explosion; extremely high temperatures; and the means of examining the behav-

used to verify the computer

iour of fire. To investigate the consequences of a violent collision between parts of an exploding factory and surrounding

echnology transfer has plant, for instance - Winfrith uses a powerful airgun called the horizontal impact facility. This is driven by compressed air, capable of firing a 64 kg missile at up to 250 m per second (about 550 miles/hour). It has interchangeable barrels large enough to fire the engine of a light aircraft so it can be simulated falling out of the sky. A 1,000-tonne block of reinforced concrete is used to absorb the impact of missiles weighing up to two tonnes but, "just in case", they clear the area of cows as well as people

before firing the gun.
The £2m facility was jointlyfunded by the UK Atomic Energy Authority and the Cen-tral Electricity Generating Board to learn more about the damage that could be done by a crashing aircraft or a burst in a turbo-generator. It costs about £20,000 to mount a fully instrumented firing and ana-

lyse high-speed photographic and digital data. Historically, the behaviour of reinforced concrete under violent impact has proved difficult to model in the computer. But data from impact tests of this kind has given Winfrith a model that is winning atten-tion in the oil industry, for example to investigate the response of large offshore storage vessels exposed to an explosion, or of sub-sea equipment involved in a collision.

Winfrith has designed a facil-ity that it claims simulates normal - and blow-out - conditions at the well head of an offshore oil well. The approach is to use a highly instrumented gun barrel" in which the full temperatures, pressures and flow rates of a production borehole can be established.

The proposed well and pipe-line test facility will cost about £5m to build, says Terry Butand, who oversees safety studies at Winfrith. He is try-ing to organise a group of oil companies to share the cost of an experimental programme. Another test can be mounted in the reactor safety test compound where temperatures in excess of 3,000 deg C can be raised - high enough to boil the ceramic fuel of a reactor.

The vigorous chemistry of a

thermite reaction is used to

create "meltdown" conditions

inside a steel pressure vessel.

one which releases heat, typically when a powdered pyro-phoric metal reacts with an oxidising agent. Metallic uraminn powder and molybdenum oxide, for example, will com-bine almost explosively to raise e fireball as hot as 3,600 deg C. The 25kg charges of thermite powder are mixed in 1kg batches and assembled into the full charge by remote handling inside a thick concrete cell.

Using such charges to fuse fuel and reactor assemblies,

the scientists can produce flu-ids similar to lava. They react with water to simulate the conditions of a steam explosion inside a reactor. Or they can show how lava might eat its way through a reactor core and create explosive conditions.

Winfrith scientists have facilities for creating the kind of inferno needed for compliance testing of radioactive materials, such as spent nuclear fuel and plutonium. They determine whether the materials meet international rules for safe transport.

Winfrith must ensure that the nuclear goods survive a journey unharmed. This me that they must understand the behaviour of fire, how it spreads and how thick the flames are. "We're into designer fires," says Chris Fry, responsible for marketing their fire facilities. They must maintain their fire conditions con-stant for as long as 60 minutes to demonstrate the integrity of plutonium transport con-

They combine large-scale fire experiments with a computer model – the one used by Har-well to model the King's Cross underground fire. They have an open-air concrete pool mea-suring 9.5m by 6.5m, which they fill with fire by igniting a leyer of kerosene floating on water. Engineering structures weighing up to 100 tonnes can be engulfed in flames at up to

1,200 deg C.

Real fires are very unstable and tend to create their own weather conditions, says Fry, but Winfrith has learnt to stahilise fires with screens.

British Petroleum is among the organisations which have asked to use Winfrith's pool fire test facility for training



enjoy the

They will The year 2010 may seem far off. But there is one prophecy we can make right now: energy economy, transportation, and environmental protection issues will be no less important than they are today.

> As a world leader in electrical engineering, we focus our research and development efforts on these areas. The results have far-reaching effects.

Take our ingenious burners and combustion chambers for fruits of our fossil fuels, for example. They offer extremely low emission values of pollutants, and provide customers

with the most modern power-generation equipment for new plants, or the upgrading of existing ones.

research.

Or take ceramic fuel cells, which convert the latent energy potential of fuels directly into electrical power. Their use in power generation will lead to spectacular increases in efficiency and minimize CO₂ emissions.

Novel semiconductor devices and power electronic systems will play an important part in future, safe, high-speed, rail transportation systems, both in and between major cities. And emissionfree electric vehicles will become a practical alternative to today's cars with internal combustion engines.

The \$1.3 billion we invest annually in research and development of this kind is not only of benefit to our customers in terms of immediate results. It also ensures that they will have a business partner at the leading edge of electrical engineering and environmental technologies 20 years from now.

Which is when our children will take over.



COMMODITIES AND AGRICULTURE

Export controls extended by 9 big tin producers

agreed to extend export con-trols to December 1990 in a joint effort to prevent a possi-ble gint of the metal next year, Reuters reports from Bangok.

The Association of Tin Producing Countries (ATPC), together with non-members Brazil and China, said after a ministerial meeting here that the tin industry could face oversupply if producers end

three-year-old export restraints next February.

ATPC's senior officials will meet in Kuala Lumpur next January to fix new quotas for the March/December period. Total exports are currently limited to 106,400 tonnes for the year to end-February 1990.

Delegates to the annual meeting said world tin stocks could increase from 25,200 to 37,200 tonnes in 1990 in the absence of supply and export controls, and if Brazil started to produce tin from its rich deposits in the Amazon's Suru-

cucus region.
ATPC, grouping Australia,

NINE main tin producers have Bolivia, Indonesia, Malaysia. Nigeria, Thailand and Zaire, puts world tin stocks at end August at 31,700 tonnes, about two-months worth of world

consumption.

The group said global stocks fell more slowly than it had hoped during the first half of its current supply year. World stocks dropped only 1,700 tonnes during March/August against the 4,000-tonne target.

Tin producers estimate that world stocks will fall to about 30,400 tonnes at end-February next year, above the previously targetted 25,400 tonnes. Brazil's Minister of Mines

and Energy Vicente Fialho told reporters his country will take another two years to consider whether to join ATPC. Brazil's 44,020-tonne output last year amounted to 28.5 per cent of

world supply.

The membership of Brazil,
the world's biggest producer,
and China would raise the group's control of world supply to 90 per cent from the current

Canadian copper mine strike may soon be over

By David Owen, in Toronto

A STRIKE which has shnt down the huge Highland Valley open pit copper mine in the rugged British Columbia hin-terland for 13 weeks may soon

A tentative settlement has been reached between management and representatives of the United Steelworkers of America union.

The mine's 1,260 unionised workers will be asked to vote on the proposed two-year con-tract tomorrow. The package includes wage and benefit increases of up to 25 per cent over the contract's lifetime, according to a union spokes-

The two sides had earlier reached agreement on another specific grievance - the con-tracting out of work to non-union labour. According to the union, the new agreement will mean that no employee will be displaced or laid off as a result of the practice.

If the settlement is duly ratified as envisaged, the stoppage will have cost Highland Valley some 45,000 tonnes in contained copper output - approximately a quarter of innual production.

No shipments have been made over the strike's duration, according to a company

WEEKLY METALS PRICES

Prices from Metal Bulletin (last ANTIMONY: European free

market 99.6 per cent, \$ per toune, in warehouse, 1,800-1,850 BISMUTH: European free market, min. 99.99 per cent, \$

per lb, tonne lots in warehouse, 4.65-4.95 (same). market, min. 99.5 per cent, \$ per lh. in warehouse, 5.40-5.85

COBALT: European free market, 99.5 per cent. \$ per lb, in warehouse, 7.45-7.65 (7.45-

MERCURY: European free exchange value, \$ per lb, UO, market, min. 99.99 per cent, \$ 9.60 (same).

LONDON MARKETS

per 76 lb flask, in warehouse,

MOLYBDENUM: European free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 3.15-3.22 (3.20-3.25). SELENIUM: European free

market, min 99.5 per cent, \$ per lb, in warehouse, 5.50-5.90 free market, standard min. 65

per cent, \$ per tonne unit (10 kg) WO, cif, 46-61 (same). VANADIUM: European free market, min. 98 per cent, \$ a lb VO, cif, 3.65-3.90 (3.95-4.10). URANIUM: Nuexco

COCOA - Landon FOX

Close Previous High/Low

Commission Zambia realises its future lies in the ground to challenge fishing fleet laws

By Tim Dickson, in

THE European Commission is about to mount an all-out challenge against member state legislation that provides protection for domestic fishing

The move - likely to be confirmed in Brussels today – fol-lows last week's controversial order from the European Court of Justice asking Britain to suspend the "nationality requirements" in a key section of the 1988 Merchant Shipping

Those requirements - said Those requirements — said by the court to be in breach of the Treaty of Rome — were designed to outlaw "quota hopping," the practice whereby mainly Spenish fish-ing vessels have been register-ing es British boats to take advantage of the UK's share of quotas under the Common Fisheries Policy.

The Commission has long been aware - and London has not been slow recently to point out - that other EC countries have national laws which equally clearly link the flag of a ship and the nationality of

Recent discussions within the Commission about challenging them, however, have often proved turbulent. Mr Manuel Marin, the EC's Fish-eries Commissioner, has on occasions been accused of

dragging his feet.

It is understood that detailed evidence has now been assembled and that today's Commission meeting will obvious acceptance. will almost certainly agree to send formal letters to Belgium, Denmark, Germany, Spain, France and Ireland notifying them that Brussels intends to open legal proceed-ings under Article 169 of the Rome Treaty. The situation with regard to Greece, Italy,

the Netherlands and Portugal is still under consideration. The precise legislation (and alleged offence) in each member state is different but as with the British case the Com-mission believes that the right of establishment across the EC, the freedom to provide services, and the freedom to participate in the shares of companies in other countries is being denied.

In each case, one senior offi-cial stressed last night, Brussels is limiting its action to the rules for fishing vessels even though most of the laws

chant shipping. The significance of the forthcoming challenge is that it fur-ther throws into question the future of the Common Fisheries Policy, which since its inception has been based on the clear principle of national

£/tonne

MONG OVERLAND dised prices - to ensure an inexpensive source of agricultravellers making their

way down the African continent, the letters "MMBZ" are a well-known abbreviation. They stand for "Miles and Miles of Boring Zambia," and are used disparagingly after days of driving through huge expanses of Zambia's flat and near-empty bushland.

Seeing almost nothing of the fields, villages, and rural activities that provide much of the

attraction of an African jour-ney, these travellers breathe a sigh of relief when they finish with MMBZ and cross the border into Malawi or Zimbabwe.

Boring they may be, but Zambia's vast and empty spaces offer opportunities that no longer exist in the highly populated and agriculturally over-exploited countrysides of over-exploited countrysides of Malawi and Zimbabwe. Today Zambia's population stands at just 7 million, and only 6 per cent of its 24m hectares of arable land are cultivated.

With fertile soils, adequate and reliable rainfall, and a climate in which almost all tropical and temperate come can be

cal and temperate crops can be grown, Zambia offers agricultural possibilities as great as those of any country on the continent.

For most of the 25 years since its independence, how-ever, this potential has been virtually ignored. Counting on copper deposits that continue to earn more than 90 per cent of its foreign exchange receipts, the Zambian govern-ment established a welfarestyle, state-controlled economy, based not on productive investment but on subsidised consumption

Artificially low exchange rates encouraged cheap con-sumer imports, while locally produced food was offered to city dwellers at heavily subsitural staples, the Government established low, fixed farm

Limited by an inefficient state marketing system without incentives, neither Zam-bia's small, white-dominated commercial farming sector nor its peasant farmers were encouraged to increase produc-tion — many of the latter left

Between 1984 and 1987, agriculture contributed an annual average of only 16 per cent to GDP, although it involved half the population, and was responsible for just 2 per cent

of foreign exchange earnings.
With the other half of its population now living in cities, Zambia remains the most highly urbanised country in Africa. The instability of the world copper market, a foreign debt that has grown to US\$7bn, and the maliestics that country in the and the realisation that copper resources will run out by the end of the century have all forced Zambia to see that farm-ing is its best hope for the

The need for food self-sufficiency, higher employment, and foreign exchange earnings now make agricultural devel-opment a high priority. Its new status is reflected in several recent far-reaching policy reforms, designed to liberalise the Zambian economy.

The most important of these for agriculture has been a dramatic increase in producer prices, a move intended to stimulate the production of existing farmers and reverse

Although the price of Zambia's staple food, maize (70 per cent grown by small-scale farmers) is still controlled, consumer subsidies are being lifted and its producer price



Small farmers grow 70 per cent of Zambia's maize

has risen by more than 125 per cent in the last year.
All other agricultural producer prices have been decontrolled, and floor prices raised by at least 100 per cent.
Continuing shortages, how-

ever, have pushed consume prices much higher, and wheat, for example, is selling for twice its floor price. Receiving four times as much as they did last year for wheat, com-mercial farmers, who produce 90 per cent of Zambia's "exotic" produce such as cof-fee, soya beans and dairy items, are for the first time finding real price incentives for

Another significant measure encouraging agriculture has been a series of devaluations taking the value of local cur-rency from 8 to 17.5 kwacha to the dollar in the last 10 months. This will encourage import substitution and pro-

mote non-traditional exports like sugar, cotton, cashews and

In the last year sales of Zambian fruita, vegetables and flowers to the European and South African markets have doubled to US\$4.6m.

r John Hudson, director of the national agricultural lohby, the Commercial Farmer's Burean, is pleased with recent progress. He notes that half of his 1,500 members are now "emergent" black farmers who have shifted from peasant to small-scale commercial farm-ing techniques. He also praises current agri-

cultural financial incentives, which include a 50 per cent foreign exchange retention right on exports, the right to remit 12.5 per cent of net profits overseas, a maximum tax-rate of 15 per cent, rapid write-

offs on farm improvements and machinery, and an incentive of 50 US cents per bag on sales of maize, soya and wheat above a

stipulated minimum. Mr Hudson points out, however, that Zambian agriculture still has a long way to go. The full potential of agricultural exports will not be realised, he says, until the kwacha is fur-ther devalued to attain a realis-

tic exchange rate.

- While the agricultural sector now receives 13 per cent of total government allocations of foreign exchange compared to 7 per cent 2 years ago, hard currency shoringes have also seriously limited the purchase of farm machinery, spare parts, and agro-chemicals. In the last three years over 50 commercial farms have been expropriated

by the Government for its own purposes, often to little result. Investor confidence subsequently remains low, and is impeded by a farm-lease sys-tem through which the state retains ownership of the land. If the price of maize were decontrolled and its marketing privatised like other crops, Mr. Hudson maintains, Zambia could be a large agricultural exporter to southern Africa.

"Smugglers are showing the way," he says. "Maize sold in Zaire fetches 8 times as much as it does at home." Lifting controls on maize remains a politically sensitive question, but Mr Hudson is convinced that given the opportunity to market maize privately over the borders, Zembian farmers would increase production so significantly that controls

would become unnecessary.

"Recent policy changes are in the right direction," says Mr Hudson, "but they do not go far enough." Until they do, Zambia's most promising sector must wait its time.

Soviet deputy calls for disbanding of state farms

US MARKETS

In the metals, gold, silver and platinum

scent volatile days, reports Drexel

In the softs, commission house buying

lifted sugar prices. Speculative buying

helped both cocoa and coffee market

advance. Most of the grains closed

complex. Heavy commercial buying

and possible Russian tender busi

81/2 cents. Corn also rose on Chine tender activity. Wheat trading was less active. The livestock markets rebounded after Mondays heavy

declines. Short covering and higher

cash prices provided the support.
Trade selling pressured the cotton

higher led by strong gains in the soy

was noted. November soybeans gained

Burnham Lambert. Copper rose 85

featured consolidation after their

By Nancy Dunne, in Washington

MR VOLODYMYR Yavorivsky, a Ukrainian member of the Soviet Congress of Peoples' Deputies who toured the US last week, is recommending the disbanding of Soviet collective farms.

The collectives have been anable to produce enough to feed the country's population on land that was once considered the "Breadbasket of

"All the progressive forces which exist in Ukrainian society today want as soon as pos-sible to disband these farms peasants," Mr Yavorivsky said. He warned that although there is no economically viable alternative, the Communist Party apparatus is opposed to land reform because it would reduce farmer dependency on

Mr Yavorivsky's trip to the

1815/1770

AM Off

487-8 473-8.5

(Prices supplied by Amalgamated Metal Trading)

1799-800

1811-2

10100-25

and Kerb close Open Interest

Ring turnover 18,925 tonne

Ring turnover 27,675 tonne

Pling turnover 9,425 tonne

Ring turnover 1,320 tonne

Ring turnover 830 tonne

Ring turnover 13,100 tonne

Filing turnover 1,000 tonne

35,423 fots

72,974 lots

12.942 tota

6.31S lots

5.795 lots

13,910 lots

US was sponsored by New Jersey Democrats, Congressman Bill Florio and Senator Bill Bradley, who frequently warns of unsound investments in the Soviet Union by "romantic cap-

A writer and a leader of the Rukh, the Ukrainian popular front, Mr Yavorivsky is among the intellectuals who have met Vladimir Ivashko, the new Communist Party leader of the

The deputy has described Mr Ivashko as "a reasonable man" and he predicted that land and the fertile Ukraine to produce enough to feed half the world and stop Moscow having to

"bring bread from America." He said more than half of the collective farms are unprofitable. "They are not feeding the people, and the state has to feed the farmers."

Mr Yavorivsky said Ukrainian peasants had been given land during the 1920s, and those who worked hard became wealthy "rather quickly." However, those who did not want to work "became poor proletarians." Then Joseph Stalin deported the suc-

cessful farmers to Siberia.

"The proletarians then joined the party and became ministers," he said. Soviet peasants might now fear to take land free because — withtake land free because - without political guarantees - they fear deportation. Mr Yavoriv-sky said he intends to enact such guarantees into law.

The deputy related several stories about farmers who worked hard but were cheated out of their just rewards by the Community Party. It should not even call itself the Communist Party any more because

"Communism today is a fairy

tale." He prefers the term Socialist.
Mr Yavorivsky stressed the hunger of Ukrainians - forced to spend one third of their lives

standing in lines and looking at mostly empty shelves. He said one of the biggest prob-lems is Moscow's ambition to build the largest of everything, referring to a dam which is the longest in the world but unneeded and rusting.
Another problem has been the centralisation of decision-

making in Moscow. One consequence was the attempt to some of the republics by creating a monoculture - the same land was planted to cotton each year regardless of the fer-tiliser and chemicals used.

The results were the "total spoilage of the fertility of the land and chemical difects on the wears of cotton."

'No sign' of end to coffee dispute By David Blackwell

THE DIFFERENCES between coffee producers and consumers show no sign of being resolved, making a new international coffee agreement unlikely before 1991, according to E.D.&.F. Man, the London

irade house. In its latest monthly report, Man points out the lack of schedule and urgency following last month's annual meet-ing of the International Coffee Organisation in London.

.The longer the agreement remains in cold storage, the more apparent will be the damage to some producing coun-tries from low prices, and all will become more motivated towards a solution, says the report. However, as time passes the details of outstanding problems will blur and the complexity of re-introducing export quotes will increase.

5 75

100

WORLD COMMODITIES PRICES

on 99.7% purity (\$ ner toppe)

1860-5 1785-6

473-5 464.5-5

LONDON METAL EXCHAN

1840-60 1775-8

489-8.5 474-5

Copper, Grade A (2 per

Cash 1835-8 8 months 1617-8

Lead (E per tonne)

yesterday after Monday's sharp fall. Cash metal added £15.25 to £489.25 a - ahead of Friday's eight-year high of £487.50 a tonne. The demand for cash metal widened its premium over three-month to £14.75 a toppe compared with 29.75 on Monday. Relatively low LME stocks and prospective tightness of fourth quarter supplies continued to underpin the market traders said. Cooper prices lost further ground yesterday as early gains were wiped out by sympathy with Comex. Many traders said copper retained a steady undertone, based on entals, but most players appear inclined to stay on the sidelines and wait for signs of more settled conditions on world stock markets before taking up fresh positions. News that the Highland Valley dispute is all but over was discounted.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or
Dubal	\$16.30-6.35w	
Brent Slend	\$19.60-9.70q	
W.T.i. (1 pm est)	\$20.75-0.80q	+0.05
Oil products (NWE prompt delivery per to	onne CEF)	+ 01
Premium Gasoline	\$209-210	-12
Gas Oli Heavy Fuel Oil	\$189-190	+5
Naphtha	\$104-106	+2
Petroleum Argus Estimates	\$162-155	+ 42
Other		+ or
Gold (per troy oz)	\$367.5	+0.5
Silver (per troy oz)	312c	-1
Platinum (per troy oz)	\$484,75	-4.25
Palladium (per troy oz)	\$136.00	-2.75
Aluminium (free market)	\$1875	+15
Copper (US Producer)		-1
Lead (US Producer) Nickel (tree market)	40.Sc	
Tin (Kuala Lumpur market)	480c	+5
Tin (New York)		-0.01
Zinc (US Prime Western)	376.5c 60 4.c	-3.0
Cattle (live weight)†	113.89p	
Sheep (dead weight)†	162.58p	
Pigs (live weight)†	105.35p	
London daily sugar (raw)	\$354v	+1
London delly sugar (white)	5396v	÷ί
Tate and Lyle export price	2940.5	+20
Barley (English feed)	£112.25x	-0.25
Malze (US No. 3 yellow)	£124.50	+0.25
Wheat (US Dark Northern)	£123.75	+0.25
Rubber (spot)♥	56.50g	+0.25
Rubber (Nov)♥	59.250	+0.25
Rubber (Dec)♥	60.00p	+0.25
Rubber (KL RSS No 1 Nov)	219.5m	
Coconut oil (Philippmes)§	\$477.5y	+2.5
Paim Oli (Malaysian)§	\$317.5	+25
Copra (Philippines)	\$310q	
Soyabeans (US)		-1
Cotton "A" index		-0.15

c-cents/lb, s-ringgit/kg, y-Oct/Nov. x-Oct/Dec. t-lan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/ ebitMest Commission average tatstock prices. change from a week ago. WLondon physics market. SCIF Rotterdam. Buillon market close. m-Malaysian cents/kg.

Dec			
	742	727	742 727
Mar	719	718	720 710
May	729	722	729 721
Jul	744	737	743 738
Sep Dec	760 788	752	767 751 787 777
Mar	610	800	310 500
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price f	or Oct 13	820.93 (838.	is per tonne). Dal 90) :10 day averag
for Oc	17 842.68	(844.53)	
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	Close	Previous	High/Low
Nov	710	717	790 705
Jen	678	374	687 670 695 680 708 685 722 714
Mer	688	683	695 680
May	713	700	706 695
Jul Sop	718 740	718 735	730
Nov	760	763	754
ICO in	dicator or	ions (LIS o	ents per nound) fo
Oct 18	Comp. d	ally 60.39 ((5 tonnes ents per pound) to 60.26). 15 day ave
age 63	.02 (63.52)		
SUGV	R – Lond	on FOX	(\$ per tonne
Raw	Close	Previous	High/Low
Dec	318.20	315.80	\$11.00
Mar	314.00	211.00	315.80 309.00
May	308.80	305.80 300.00 290.60	315.80 309.00 310.40 304.20 304.00 300.00 292.20 291.00
Aug Oot	903.40	200.00	292.20 291.00
Dec	303.40 293.40 295.00	288-00	
White	Close	Previous	High/Low
===	900 CD	200 00	200 00 205 00
Dec	388.50 387.50	388.00	368.00 385.00 368.50 387.00
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Mar May Aug	388.50 387.50 387.00 389.00	388.00 388.00 398.00	388.50 387.00
Mar May Aug Oct	374.00	388.00 388.00 398.00 375.00	368.50 387.00 388.00 387.00
Mar May Aug Oct Dec	368.00	388.00 388.00 398.00	368.50 387.00 388.00 387.00
Mar May Aug Oct Dec Mar	368.00 367.00	386.00 386.00 396.00 376.00 370.00 387.00	368.50 387.00 388.00 387.00 396.00 393.00
Mar Mey Aug Oct Dec Mar Turnov	368.00 367.00	388.00 389.00 396.00 376.00 370.00 367.00	388.60 387.00 388.00 387.00 386.00 383.00
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Mary May May May Aug Oct Dec Mar Turnov White	374.00 368.00 367.00 367.00 367.00 White (FF Ary 2485, Clos 18.96 18.54 18.16 18.16	388.00 388.00 388.00 370.00 370.00 387.00 22147 (3852 77 per tonr Aug 2570, 1 18.45 1 18.45 1 18.20 1 18.21 1 18.91	388.00 387.00 388.00 387.00 388.00 383.00 386.00 383.00 386.00 383.00 386.00 383.00 37barnus High/Low 19.03 18.99 18.04 18.92 18.32 18.30 18.12 18.10
Mary May May May Aug Oct Dec Mar Turnov White CRUICI Jen Feb Mar IPE Inc	374.00 367.00 36	388.00 388.00 388.00 370.00 370.00 367.00 22147 (3852 7 per tone Aug 2570, 0 18.81 18.45 18.20 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01	388.00 387.00 388.00 387.00 388.00 383.00 388.00 383.00 388.00 383.00 388.00 387.00 388.00 387.00 37.0
Mary May Aug Oct Dec Mar Turnov White Paris- 2477, 1 CRUIDI Turnov GAS O	374.00 367.00 367.00 367.00 367.00 367.00 367.00 367.00 368.00 369.00 36	388.00 388.00 388.00 370.00 367.00 367.00 2147 (3852 7 per tont Aug 2570, 0 18.81 18.45 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01 18.01	388.00 387.00 388.00 387.00 388.00 387.00 386.00 383.00 386.00 383.00 386.00 387.00 386.00 387.00 38
Mary Mary May Aug Oct Dec Mar Turnov White Paris- 2477, 3 CRUID Coc Jen Feb Mar IPE Int Turnov QAS O	374.00 367.00 367.00 367.00 367.00 402 (369) White (Ff Any 2485, IL OB. — III 18.54 18.54 18.15 18.16 18.16 18.25 18.35 18.17 18.25 179.75	388.00 388.00 388.00 370.00 370.00 367.00 22147 (3852 71 per tons Aug 2570, 0 18.81 18.45 18.20 18.01	388.00 387.00 388.00 387.00 388.00 387.00 386.00 383.00 386.00 383.00 386.00 387.00 386.00 387.00 38
Mary Mary Mary Mary Mary Mary Mary Mary	374.00 367.00 367.00 367.00 367.00 367.00 367.00 368.00 369.00 36	388.00 388.00 388.00 370.00 367.00 367.00 2147 (3852 7 per tour Aug 2570, 0 18.81 18.45 18.20 18.01 18	388.00 387.00 388.00 387.00 388.00 387.00 386.00 383.00 386.00 383.00 386.00 387.00 386.00 387.00 38
Mary Aug Oct Dec Mar Turnov White Paris- 2477, I CRUSDI CR	374.00 369.00 367.00 367.00 367.00 367.00 367.00 367.00 368.00 369.00 36	388.00 388.00 388.00 370.00 370.00 387.00 22147 (3852 7- per tonr Aug 2570, 1 18.45 1 18.20 1 18.20 1 18.91 10442) Previous 180.25 177.00 174.00 169.25 166.50	388.60 387.00 388.00 387.00 388.00 387.00 386.00 383.00 386.00 383.00 386.00 383.00 386.00 387.00 38
Mary Aug Oct Dec Mar Turnov White Paris- 2477, 1 CRAID Coc Car	374.00 367.00 367.00 367.00 367.00 367.00 367.00 368.00 369.00 36	388.00 388.00 388.00 370.00 367.00 367.00 2147 (3852 7 per tour Aug 2570, (1881 18.45 18.20 18.20 18.21 18.45 18.25 18.20 18.25 177.00 183.25 177.00 183.25 177.00 183.25 174.00 183.25 174.00 183.25 174.00 183.25 174.00	388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00 387.00 388.00
Mary Aug Oct Dec Mar Turnov White Paris- 2477, I CRUSDI CR	374.00 369.00 367.00 367.00 367.00 367.00 367.00 367.00 368.00 369.00 36	388.00 388.00 388.00 370.00 370.00 387.00 22147 (3852 7- per tonr Aug 2570, 1 18.45 1 18.20 1 18.20 1 18.91 10442) Previous 180.25 177.00 174.00 169.25 166.50	388.60 387.00 388.00 387.00 388.00 387.00 386.00 383.00 386.00 383.00 386.00 383.00 386.00 387.00 38

	May Jun	162.00 159.00	162.00 161.00	161.00 160	.00
:	Turnov	er 14352 (15183)lots	al 100 totine	8
		TON			
	Live	mook Soc	t and whip	ment sales fo	r the
	i tonn	es ecelosi	1322 tono	es in the pres	NGUS
	with	Marrianes Co	umtrine in	eirly high qua	5
	inclu	ding Israe	II, West A	ricen and Me	A.K211.
1	ł				
	w				BTD
	3460 ,	BWD \$46	û, e and i :	O, BWC \$500, Antwerp; RTC	\$475,
	BMC	\$475, BTC	\$445, BV	P) \$430.	

Mickel (\$ per ton	ne)			
Cash 3 month	1040 ns 1010		10350-400 10075-175	10400 10150/1010	10350-400 0 10140-50
	er tonnel		10075-170	1013011010	10740-30
Cash	8180	200	8230-50	8100/8170	8165-70 8200-10
3 month	ns 8500-	20	8260-80	8210/8200	8200-10
Zinc, Sp Cash	nectal Hilg 1665		(\$ per tonne)	100011400	1687-8
Casn 3 monti	18 1855		1680-2 1662-3	1695/1688 1680/1655	1657-8 1673-5
Zinc (\$	per tonne			1110	
Cash 3 month	1815- 18 1600-		1600-10 1885-95	1630 1683	1629-30 1605-10
	2\2 poleo	reter			
J-OI: 1			3 months: 1.65	,	8 months: 1
POTAT	OES - I	-		₹/tonne	LONDON BU
	Close	Previo	us High/Low		Gold (fine 02)
Nov Feb	132,0 163,0	127.0	127.0 125	.0	Cicse
Apr May	202.4	202.0	159.0 202.5 198.	۵	Opening Morning fix
		226.0	226.0 of 40 tonnes.		Afternoon for
		·			Day's high Day's low
SCYAI	MAN ME			£/tonne	Coles
Feb	Close 143.00	Previo 143.00	us High/Low		Mapleleaf
Apr	141.50	141.50	141.50		Britannia US Eagle
	or 25 (16)	lots of 2	G tonnes.		Angel
			_		Krugemand New Sov.
PHENO	אד רעזע	7153 — 1	FE \$10/In	dex point	Old Sov.
	Close	Previo			Noble Plat
Oct Nov	1544 1609	1537 1607	1544 1532 1815 1685		Silver Ox
Jan	1624	1623	1630 1610	1	Spot
Apr Jul	1648 1410	1646 1405	1655 1640 1410		3 months 6 months
BFI	1516	1609			12 months
Turnove	¥ 325 (21	2)			TRADED OPTI
GRAIN	6 - Bru			£/tonne	Alumanian (99
Wheat	Close	Previo	4 High/Low		Strike price \$
Nov	108.70	109.35	109.10 108		1700
Jan Mar	113,05 116,60	113.50 117.00	113,40 112 116,90 116		1800
May	119.55	120,15	119,90 119	.55	1900
Jun	121,00	121.55	121.20 120	1.85	Copper (Grade
Barley	Close	Previou	n High/Low		2900 2900
Nov	107.00	107.30	107.10 107		3000
Jan Mar	110,75	111.16	110,86 110	.75	Colleg
May	114,00 115,65	114.30 115.95	114.10 114		850
). Berloy 65 (8 49.	<u>27).</u>	700
Turnove	r lots of	100 tonn	43,		750
7105 -	DFE.		(Cash Settleme		Ç00aa 700
	Close	Previou			750
Det Vov	133.0 135.0	134.0		(500
\pr	124.0	135.0	122.0	i	Breat Crade
kan Kug	118.5 115.5	120.0 115.5	119,0		1800)
y	- 11 66	1134	115.0		1850

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	- PUR	и шин	, T.	UUU IUVAN
1629-30 1605-10	1590-5		3,685	lots
8 months: 1.5349			9 mont	hs. 1.5162
LONDON B		HEAT		
Gold (fine or			equiv	
Close Opening	367 4-367 386-366 2	4	232-236 231 ¹ 2 -2	
Morning ffx	365.65		231.052	
Atternoon for Day's high	366.65 387 \ -367		232.248	
Day's low	3651 ₂ -366	•		
Cobes	5 price		equit	alent
Maplelast	377-382		38-241	
Britannia US Eagle	377-382 377-382		238-241 238-241	
Angel	378-381	2	3712-2	40 ¹ 2
Krugerrand New Sov.	367-370 86 ¹ 2-87 ¹ 2		32-234 4 2-60	
Old Soy.	861 ₂ -871 ₂ 490.66-498	i	42-55	4
Noble Plat	490.55-498	.35 8	00.50-	114.40
Silver Oz	prine az		iş cis	edniv
Spot 3 months	822.60 334.70		08.75	
6 months	346.45		19.60 30.10	
12 months	369.60	5	51.55	
TRADED OF	T10003			
و معراطرین (۱		Calls		Puts
Strike price :	5 tonne Nov	Jen	Nov	Jan:
1700 1800	147	119	3	41
1900	67 20	68 33	22 75	96 150
Copper (Grac	da A) (Celis		Puts
2800	142	159	33	114
2900 3000	82 42	112	72	165
	42	77	191	228
College				Jan
	Nov	Jan	Nov	
950	60	57	2	31
550 700				
850 700 750	60 17	57 36	2	31 8
550 700 750 750	60 17 1 Dec	57 36 23 Mar 61	2 0 43 Dec	31 8 97 Mar
550 700 750 750 750	60 17 1 Dec 74 45	57 36 23 Mar	2 0 43 Dec 32 53	31 3 97 Mar
550 750 750 Cocce 750 750	60 17 1 Dec 74 45 24	57 36 23 Mar 61 39	2 0 43 Dec 32 53 82	31 8 97 Mar 42 70
550 700 750 Cocce 700 750 800	60 17 1 Dec 74 45	57 36 23 Mar 61 39	2 0 43 Dec 32 53 82	31 8 97 Mar 42 70
550 750 750 Cocce 750 750	60 17 1 Dec 74 45 24	57 36 23 Mar 61 39	2 0 43 Dec 32 53 82	31 8 97 Mar 42 70

2010				
		cz.; S/troy c	High/La	
-	Close	Previous		306
Oct Nov	367.4	367.6 369.2	367.3	300
Dec	371.2	371.2	372.8	970
Feb	375.2	375.2	376.0	574
Apr Jun	379.3 363.5	379.3 363.4	380.0	378. 368.
Aug	387.6	387.4	367.3	367.
Oct	391.8	391.8	392.0	302
Dec	396.1	395.9	396.5	295.
PLAT		roy oz; \$/tro		
	Close	Previous	High/Los	-
Oct	485.2	485.7	484.1	484.
Dec	489.2 491.2	492.2	491.0 492.6	491.4
Jee Apr -	495.0	496.0	- 496.0	494.
Juli Turi	400.0	E00.0	499.5	496
Oct	603.0	504.B	502.7	502.7
SILVE	R 5,000 tr	ey oz; cents		
	Close	Previous	High/Los	<u> </u>
Oct	510.2	510.4	0	0
Nov	811.9	512.4 316.3	0 519.5	0 514.8
Dec Jan	515.8 \$18.7	619.2	0.57	0
Mer	526.9	527.B	531.0	526.
May	584.2	534.8	637.0	535.0
Jul Car	541.7 549.4	542.4 550.1	544.5 550.5	543.0 550.0
		561,4	561,6	561.
Sep Dec	560.7	301,7		

· · · · · ·			
HIDICAE			· .
RELITERS (Bose	: Septem	ber 15 193	1 = 100)
Oct 16	Oct 13	tutitu se	0 yr ag 0
1856.6	1879.4	1901.6	1870.5
DOW JONES (B	se: Dec.	31 1974 =	100)
Spot 130.16 Putures 129.72	1,29,25 1,29,87	129.58 130.24	134,49 139,28

1,

COP	PER 26,00	30 ibe; cent	s/lbs		C	hicag	10		
	Close	Previou	a High/Lo				,000 bu mbr:	conte#0%	bushal
Oct	129.30		129.50	129.10	307				
Nov Dec	128.80		129.80	0 127.10	· 	Close	Previous		
-		123.10	:	,	Nov	555/4 566/0	547/0 558/4	550/4 570/4	. 550/0 562/2
CRU	DE QL (L	ight) 42,000	US galls	S/barrol	· Mar	578/4	571/0	562/0	. 673/4
-	Latest				May	.587/2	580/4	580/0	583/4
<u>.</u>					Aug	592/0	586/4. 585/4	585/0	589/0
Nov	20.82	20.59	20.87	20.62	Sep	590/4 573/2	571/0	584/Q 580/Q.	588/0 573/0
Jan	20.53	20.31 19.66	20.56	20.11	Nov	570/4	570/4	578/0	570/0
Feb	20.02	19.74	20.02	19.90	· ·				
Mar	13.83	19.55	19.83	79.71	SOY	ABEAN O	L 60,000 lbs;	Conts/ib	
Apr	19. 62 19.42	19.39 19.23	19.62	19.56	. —	Close	Previous		
Jun	19.36	19.07	19.36	19.23				-	
Aug	19.06	18.78	19.08	18.90	Oct Dec	18.20 18.57	18.40	18.27	18.15
					Jen	18.62	18.62	18.64 18.65	18.46 18.69
HEA	TING OEL	42,000 US	palls, cents	/US gatta	Mar	10.21	19.04	19.25	19.10
_	Latest	Previous	High/Lo		May	19.57 19.87	19.41	19.65	19.50
-				6090	Aug	20.00	19.82 10.87	20.00 20.05	19.55
Nov	6115 6170	8042 6089	8165 ·	3795	Sep	20.10	20.00	20.15	20.00 20.10
Jec.	6120	6040	6130	6065 .					
Feb	5965	5920	6000	6068	SOY	ABEAN ME	AL 100 tone,	\$/ton	
Mar	5720 . 5305	8670 6255	5750 · 5320	. 5710 . 5305	-	Close	Previous	High/Los	
Jun Jun	5190	8135	5206	3190	Oct	188.0			
Jul	8150 .	5065	5185	5150	Dec	182.0	184.8 178.7	188.5 182.9	185.5
Аид	6200	5136	5200	5200	Jen	180.4	177.6	151.4	179.8
					Mar	179.2	176.6	180.0	170.0
COCC	A 10 tone	es;\$/lonne	5		Jul	177.7 178.7	176.5 175.6	178.5	177.0
.——	Close	Previous	High/Los		Aug	176.0	174.2	178.5 177.5	176.5 176.0
Dec	1002	986	1008	990	Sep	174.6	174.1	177,6	174.5
Mar	1013	995	1018	996					
May	1030	1010	1030	1019	-		min; cents/5	SSID Dushel	
Jul Dec	1044	1033 1074	1045 1095	1042 · 1079		Close	Previous	High/Low	,
Mar	1107	1098	1119	1096	Dec	238/6	236/2	236/2	237/0
	• • • • • • • • • • • • • • • • • • • •		·		Mar	243/6	242/2	244/4	242/2
					May Jul	247/B 249/4	248/8 248/6	248/4	246/2
COPP	EE "C" 37	,500lbs; ce	nta/ibs		Sec	241/6	241/2	250/4 242/0	248/4
	Close	Previous	High/Lov		Dec	238/0	237/2	238/4	241/2 237/2
Dec	71.18	70.42	72.40	70.75	Mar	245/4	244/4	245/4	245/0
Mar	73.23	72.80	74.20	· 78.00	terne e				
May .	75.25	74,50	76.10	75.00	WINEA	3,000 00	min; cents/	اورادين - 100	
Jul	77.25	77.00	78.15	77.25 ·		Close	Previous	High/Low	
Sep	79.25 81.75	79.25 82.00	80,49 83.00	79.25 83.00 -	Dec	409/4	410/6	411/0	408/4
Dec ··	84.00	84.80	0	0	Mar	407/4	407/6	409/4	406/4
	-			٠.	. May	386/4 356/2	386/6	387/6	385/4
<u> </u>			<u> </u>	· · · · · · · · · · · · · · · · · · · 	Sep	359/4	357/0	357/4	355/0
SUGA	R WORLD	111 1120	00 lbs; cer	ts/lbs.	Dec	378/0 .	373/0	361/Q 374/Q	359/4
•	Close	Previous.	High/Low		LIVE	ATTLE 40	,000 lbs; can	0/40	372/4
Jen	14.14	14.00	0	0					·
Mar	14.11	13.97	14.24	15.88		Close	Previous	High/Low	
May .	13.59	13.71	13:97	13.64	Oct	73.67	73.35	73.82	73.25
Jul	13.68 13.27	13.51 13.15	13.77 13.34	13.44	Dec Feb	75.10	74.17	76.20	74.15
Oct .	12.80	12.78	12.83	12.75	Apr	74.78 74.92	74.27 74.47	74.80	74.02
			-	 .	Jun	72.07	71,80	74.95	74.20 .
COTT	ANI DO 100	CONTS/EDE		<u> </u>	Aug	70.95	70.00	72.12 70.95	71.55
	Close	Provious	Highthow		LIVEH	OGS 20 00	ID Ib; cente/I		70.25
. Dec	72.80	74.48	74.41	72.76					
Mar	74.38	75.67	75.78	74.30		Close	Previous.	High/Low	
May	74.96	76.23	76.35	75.00	Oct	48,00	47.37	48.00	40.00
Jul.	75.10 6 9.50	76.00 69.70	76.20 69.95	75.05	Dec. Feb	46.12	45,40	46.32	46.80 45.25
Oct . Dec	66.50	- 46.70	66.85	69.50 68,47	Apr	45.60 43.00	45.02	45.72	44,87
	منسب	Ami 4			Jun	47.55	42.80 47.32	43.22	42.52
====		· · · · · · · · · · · · · · · · · · ·			كيدل	47.70	47.67	47.66 47.76	47.00
		16,000 lbs;	cents/ibs		Aug	48.65	46.65	47.75 46.70.	47.25
	Close	Previous	High/Low	<u>. </u>	Oct	42,95	42.62	49 DE	46.22 42.80
Nov	129.20	131,60	191,60	129.10	PORK	BELLIES 4	0,000 lbs, ca	ntani-	
Jen	125.25	126.30	128/25	125.20		Close			
Mer	128.00	126.50	128,40	126.00	Feb		Previous	High/Low	
May Jul	125.15 126.50	128.55 129.00	128.00 129.25	197.50 128.05	Mer	52.52 52.15	50.62 50.32	52.60	50.25
Sep	126.85	129.10	ο	0	May	52.25	50.35 50.36	52.22	50.00
Nov	126.85	129.10	Ŏ.	Ŏ.	لنائ.	51.97	50.18	52.40 52.10	50.30
Mac	126.85	129.10	Q :	å · ·	Aug .	49.90	48.20	50.18	80.16 49.57
									48.57
			•			•			

LONDON STOCK EXCHANGE

Further setback in erratic trading

AN ERRATIC trading session in UK equities yesterday saw the London market tracking Wall Street closely to end the day with another hefty setback after New York reacted sharply to the latest US monthly trade figures. Trading remained very nervous with the Footsie fatures contract again taking the lead in setting trends for the underlying equity sector. The stock market had another very active session.

although Seaq volume dipped to 569.2m shares from the 959.3m of Monday's dramatic session; official Stock Exchange data released yester-day showed that equity busi-

	<u> </u>	
	nt Dealing	Dates
Oct 2	Oct 16	Cot 30
Option Declars Oct 12	Cot 35	Nov S
Lest Dealings: Oct 13	Oct 27	Nov 10
Account they: Oct 25	Nov 8	Nov 20
Now time dea LOS sun two he		place from

tors jumped to \$1.7bn on Monday, nearly twice the daily average for the previous five

trading sessions.

London opened higher on the back of Wall Street's over-night gain of 85 points, but the early support soon proved little more than bear closing by mar-ket makers needing stock to

meet selling commitments. Equity sentiment remains fun-damentally bearish in London as the securities markets brace themselves for further tests of confidence. Tomorrow brings what is expected to be an important policy speech at London's Mansion House by Mr Nigel Lawson, the UK Chancellor of the Exchequer, and the latest UK monthly trade figures are due next

However, it was the trade figures from across the Atlantic which undermined London. yesterday. The deficit of \$10.77bn on US trade for August was substantially larger than expected by UK

Wall Street", commented Mr Bill Smith of Prudential-Bache: analysts and alerted the market to the likelihod of a weak opening on Wall Street. We followed it almost minute The December contract on the Footsie quickly turned from a premium to a discount and the FT-SE Index itself followed suit. The Index was 42 points down before losses were

significantly trimmed at the close on speculation that the US authorities planned to cut the Federal discount rate. At its final reading of 2,135.5, the FT-SE Index was a net 27.9 points down on the day, representing a total loss of 98.4 points so far this week. "This week's performance shows that London is still the

by minute". His view was supported by the substantial losses in London stocks most closely associated with US investors. Reuters, the global communications group, and Racal Electronics were promi-

nent in the list of casualties.

Prodential-Bache pointed out yesterday that according to figures compiled by the US Tres sury, US investor's increased net purchases of UK stocks by \$2.7bn to \$3.3bn over the second quarter of this year, contrasting with substantial dismvestment in Japanese stocks by US investors.

FINANCIAL TIMES STOCK INDICES 83.79 83.87 63.65 93.37 105.4 50.53 (17/10) (28/11/47) (3/1/75) 1447.8 2008.8 49.4 (3/1) (5/9/89) (28/6/40) Ordinary Share 1815.0 1817.7 1797.3 1509.5 154.7 734.7 43.5 (17/2) (15/2/83) (28/10/71) **Gold Mines** 184.9 204.7 204.8 206.2 1782.5 2443.4 986.9 (3/1) (16/7/87) (23/7/84) Basis 100 Govt. Sect 15/10/28, Fixed int. 1928, Ordinary 1/1/35, Gold mines 12/3/53, Besis 1000 FT-SE 100 31/12/83. ☆ NH 10.58 Ord. Div. Yield Earning Yid %(full) P/E Ratio(Net)(*) GILT EDGED ACTIVITY 23,431 832,21 24,313 365,1 5- Day average Ordinary Share Index, Hourly changes Day's High 1770.4 Day's Low 1721.7 "SE Activity 1974, fEmboding incre-marks beatness & Oversess turnover, Calculation of the FT indices of delly Squity Bergains an Equity Value and of the five-day everses o Equity Value and of the five-day everses o Equity Sargains and Equity Value, was dis-continued on July 31. Closing values for July 85 acadishist on remover. Day's High 2182.3 Day's Low 2120.8 Open 2175.9 10 a.m. 2150.7 2154.6 2156.8 2 p.m. 2154.2 2 p.m. 2154.2 2156.8 2 p.m. 2154.2 2156.8 2 p.m. 2154.2 2156.7 TRADING VOLUME IN MAJOR STOCKS

Change of pace on **Amstrad**

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Amstrad, the electronics group run by Mr Alan Sugar, were given a good initial reception by the market, but the picture quickly changed as the session. wore on. The Amstrad share price was firmly in reverse at the end of the day as analysts slashed their forecasts for the

Amstrad's full-year profits came in more than halved at 276,61m, compared with last time's 2160.4m; the current fig-ure, affected by a 215m stock provision, was regarded by some specialists as better than the most pessimistic forecasts.

The figures were accompanied by a statement from Mr Sugar outlining his intention of increasing his present 44 per cent holding in Amstrad to over 50 per cent, plus details of new product lines, including the launch of a new range of high specification colour televi-

Following a post-results meeting with the board, analysts returned to the City to cut back sharply their forecasts for the current year. Mr Ian Macleod at County Nat-West moved down to £35 the year and said: "Amstrad is faced with the need to de stock in a flat market and this will leave them whiterable: I think the shares will remain dull for another six months."

Mr Paul Norris at BZW dropped his forecast even further, to £25m, and said Amstrad seeking to reduce its inventory of stocks is listle to see gross margin erosion" and "Is at the mercy of market conditions. We stick with our self recommendation.

to 58p immediately after the figures, subsequently dipped back sharply to end the day a net 4 down at 47p with turn-over expanding rapidly to 16m shares.

Whitbread active...

A late strong advance in Whithread shares produced a habel of unconvincing explanations which were largely discounted by marketmakers and dealers who saw the rise as merely the natural outcome of a stock shortage.

a stock shortage.

There were suggestions that
Scottish & Newcastle or US
brewing giant Anhauser Busch
might be buying Whithread's
brewing business or spirit
brands such as Long John or
Researc Cin Beefeater Gin.

This last suggestion is given more credibility by analysts,

although Whitbread is now understood to have completed the purchase of a chain of US restaurants — a move which had sparks suggestions of an early sell-off to satisfy US laws on the sale and distribution of liquor. These laws do not apply in the states where Whit-

bread's restaurants operate.
Attention may also have been drawn to Whithread by Boddington's extraordinary meeting to approve the sale of the latter's brewing business to

the former.
In the final hour of trade,
Whitbread "A" shares reversed a decline of 2 to close 17 better .

Asda downgrade

Asda alipped 14 to 187p on turnover of 8.5m shares as a number of houses downgraded their profit forecasts. Goldman Sachs reduced its earnings estimates for this year to £200m from £241m. This follows the downgrading on Monday by Asda'a brokers for this year to £210m from £241m and to £255-265m from £280m for next year. Mr. Keith Wills of Goldman

Sachs said the inability to convert the recently purchased 61 Gateway stores into Asda stores before the busy Christ-mas period had been partly responsible for the downgrading. He said the £15m savings which would have resulted from the conversion would now be delayed until the new year. Furthermore, Asda's non-food businesses had been adversely affected by the high level of interest rates. There was a reversal of per-formances in the clearing

banks where Midland - the worst performer on Monday jumped 9 to 327p on turnover of 13m as speculators resur-rected stories that a closer tie up with Hong Kong & Shanghai Bank was imminent.
The recent uptorn in the glit-edged market, coupled with hopes that interest rates may well fall in the event of further severe pressure on UK
equity markets, triggered steep
rises in the discount houses.
Gerrard & National jumped 20
to 260p, Catar Allen 17 to 360p
and King & Shauson moved up
8 to 125p. Union Discount,
where Sir Ron Brierley's IEP
recently increased its holding
to around 28 per cent, added 10
at 550p.

at 530p. Merchant banks moved up amid market stories that some securities houses may have emerged relatively unscathed

from the mauling sustained by share prices in the past couple of trading sessions. Morgan Grenfell, after some board changes, advanced 20 to 392p, while SG Warburg leapt 22 to

400p.
Refuge stood out in the life
The shares assurance arena. The shares moving up strongly to close 223. higher at 568p, after 569p, in a belated response to news that Athena has raised its holding to 9.34 per cent. Britannic, which has a 10 per cent stake in Refuge (Refuge holds 7.3 per cent of Britannic), added 8 at 488p. Pearl were 4 higher at 628p ahead of the defence document

A single selling order for Dixons depressed the stock

to close at 186p, up 2, after

Another exception to the stores' decline was Kinglisher. Top management were at Warburg Securities for a presentation. Buying interest was steady, it unspectacular. Turn-over totalled im shares as the stock touched 280p before sub-siding by the closed to end a

siding by the closed to end a net penny better at 273p.

Second line stores were thin on the ground and moderate demand helped them put in a strong performance. WH Smith, which has been the subject of much optimistic comment from analysts in the last week, led the way. Smiths climbed 6 to 312p, followed by fellow newsagency chain John Menzies, which closed 9 to the good at 334p.

Television contractors put in

Television contractors put in

FT-A All-Share Index

resilent performance. The

leaders showed strong gains with Anglia 10 better at 24Sp, Central up 17 at 697p, LWT, 11

to the good at 215p and York-

shire ending 7 firmer at 252p.

"TV stocks are asset plays, and earnings hardly play a role at all," explained an analyst. United Biscults was depressed after the food ana-

lysts at BZW lowered their

forecast for the current year to 2189m from £193m. BZW said UB's trading performance had

failed to recover as strongly as

expected after a dull first half.

In the next year, profits were seen slipping to 2222m from 2228m. UB fell 15 to 341p.

Dalgety also alipped as hid speculation waned. It closed

down 20 at 361p. Christian Salvesen rose 5 to 139p on positive

market sentiment towards cur-rent trading. The best perfor-mances from an otherwise

unhappy oil and gas sector

came from the Burmah/Calor/ Premier trio, with speculators

stocks on hopes of eventual hid activity concerning possibly all three stocks and SHV, the pri-

vately-owned Dutch group.

Burmah, where SHV recently increased its holding

to 6.7 per cent, rose 6 more to 6.19p on. Dealers took the view that SHV may have been adding to its stake. The oil

team at Kitcat & Aitken noted that "while SHV is most unlikely to bid for Burnah, it

market most closely linked to



ment expected on Friday.

The building areas of the market gave another good display - they've been under pressure for a lot longer than other parts of the market and most of the selling hed already been done," said one trader. Anglia Secure Homes jumped 10 to 94p with dealers saying the shares have been hit too hard. Vibro-plant rallied 15 to 164p; "tightly held and oversold." explained a dealer. Ashtead shot up 20 to 262p after the chairman's confident statement at the annual meeting.

near the outset and the over-hang lasted all day. The shares slid 9 to 106p encouraged, said some, by the profits fall at Amstrad whose products are sold through Dixons' shops. Body Shop recovered sharply from a recent extended bout of weakness. It touched 8930 at one point before closing 10 better on the day at 383p. Another niche retailer long out of favour, Burton Group, also strengthened against the trend

shares are a clear buy." Calor moved up strongly to close 12 firmer at 424p. Premier, where Burmah has a near 30 per cent stake, held at 96p. BP fall 7 to 292p on turnover

the wake of news that Ford Motor had raised its stake past

the 10 per cent level.

A brief flurry of buying, based on a suggestion from the Jaguar closed 16 better at 664p day's 19m total.

Hawker Siddeley continued Monday's good performance - it was one of only four shares not

Burmah has a near 30 per cent stake, held at 98p.

By fell 7 to 292p on turnover of 9.4m with traders noting switching into Shell. "The sell-sing has been American-led, which is surprising seeing as the company is giving a presentation to US institutions in New York on Friday," said one trader. Shell managed a 3 gain to 429p on 7.5m.

British Gas settled only a fraction off at 198p on a clear display of its defensive strength — "good yield, good balance sheet, near monopoly market — if yon have to be in a difficult market this is one of the pure defensive issues," was the clear view of one dealer.

Engineers traded quietly after Monday's excitement, Business in Jaguar subsided in the wake of news that Ford

Bargain hunters bought

garage stocks, which had been left behind in Monday's late

its stake in rubber distributor

Hartons to 8.2 per cent sent the

latter's shares sharply ahead.

The larger of the high time and the same of a bold of the page at the analysis and

traded stock.

traded options market thet General Motors was about to start buying stock, soon faded. rally. Among those to benefit were Evans Halshaw, 16 better at 210p, Perry Group, 7 firmer at 158p and Trimoco, up 2% at Dealers said they grew cau-tious after a US broker started offering stock on Seaq screens. 22p. Kwik-Fit also saw buying interest, albeit at a lower level than the previous day. Strong turnover on Monday had been on turnover of 3m shares busy compared with recent accompanied by suggestions that 10 per cent stakeholder, Continental Tyre of Germany, weeks, but well down on Mon-

was picking up stock. Yester-day the shares closed 4 to the good at 139p. News that Suter had raised to show a fall on that day - by adding another 6 at 648p ahead of today's interim figures. "They should be good," pre-They closed 5 better at 45p while Suter ended unchanged at 177p, helped by the latest in dicted a marketmaker. Turnover at 1m shares was also strong for this usually thinly

Sign of providing the second of the second o

a series of share buy-ins by the

Company.

BAA advanced 6 to 332p on suggestions that ADT was contiming last weeks' buying of the stock.
Dealers admitted to being

punch drunk in the wake of a stream of conflicting announcements concerning British Airways' attempt to participate in the buy-out of UAL, the US carrier. Some 4.5m shares changed hands as the price eased a penny to

Interim figures from Geers Gross ended several days fluctuation in the comany's share price. The 10 per cent rise left the shares 8 better at 55p. Racal Electronic were heavily sold, the shares dropping to 212p at one point before steadying and closing a net 12

ARC 第二届美国公共的 化工作 电流

that the dollar may fall further lowered Cahle & Wireless 20 to 479p on 6m, but British Tele-com and GEC — "the two classic defensive stocks in the sector," according to one analyst
- held up well, the latter clos-

ing only 2 down at 222p on 5.2m and the former 4 cheaper at 261p on 10m. Stocks regarded as hid tar-gets and hadly upset on Mon-day, staged a recovery with Unitech 10 higher at 344p and VG Instruments 21 up at 425p. Logica bounced up 18 to 425p. Alba jumped 10 to 63p after the

 Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

preliminary figures.

NEW HIGHS AND LOWS FOR 1989

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become chief executive of Johnson Fry Corporate

■ Mr John Prestage has been made a director of

SPRECKLEY VILLIERS HUNT

& CO. He will underwrite for

a new non-marine Syndicate 1151 following a successful application to Lloyd's.

PRACTIONERS ASSOCIATION has elected Mr Stephen Adamson as president. The

new vice president is Mr Ian

THE INSOLVENCY

Finance.

is likely to want a significantly higher stake than 6.7 per cent and its buying should support the Burmah price."

The Smith New Court oil team reckons that if anything gets bid for, it will be Calor.
The shares are not overvalued on fundamentals, yet there must be a good chance the group's independence is in doubt with a likely take-out price of 500p a share — the

Successful asset management today hinges on the quality of securities analysts and their research systems. Systems which scrutinize equities and bonds in major

You're already familiar with one product of our securities analysis. It appears in your daily newspaper.



Case in point: BHF-BANK. The BHF-BANK Bond Market Index, published daily in the financial press, is but one sign of the quality of our market assessments, performance ratings and technical analyses. Together with the pertinent performance indices, it provides an objective yardstick of trends on the German bond market.

This index, of course, is only the tip of the iceberg - the visible sign of our analytical systems' success in optimizing the return on investment of your securities portfolio.

Innovative analytical instruments are only part of what it takes to make a bank a partner for the discerning investor. Equally important are a service-minded approach and customized problem solutions - the style of a merchant bank, which BHF-BANK has cultivated for more than 100 years.



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APPOINTMENTS

Mr Rodney Jones has joined BT FINANCIAL SERVICES INFORMATION SYSTEMS CORP, a subsidiary of Bankers Trust New York Corp, as associate director sales and marketing, Europe. He was formerly at Telerate Europe Gulf.

■ Mr Peter Weiss has been appointed managing director of newly-formed MAM (UK), a subsidiary of Austrian babycare manufacturer Mam Babyartikel. He was managing director of Lewis Woolf Griptight, and is joined as sales and marketing director by Mr Stephen Wooller who was marketing director of Cannon

Mr Richard Cole has been appointed MIDLAND GROUP representative in Moscow. He was trade finance director, Far East, at Midland Montagu Trade Finance, and succeeds Mr John Burgess Who is

■ Mr Nat Solomon has been appointed a non-executive director of HARRAP PUBLISHING GROUP. He was chairman of Pleasurama.

ROBERT FRASER INSURANCE BROKERS has formed a new agricultural. division. The company will trade under the name of Robert Freser Agricultural Risks. The principal directors will be Mr David Gibbons, Mr Simon Hall, Mr Nigel Renton and Mr

Morgan Grenfell changes



MORGAN GRENFELL GROUP MORGAN GRENFELL GROUP has made the following changes. Sir Peter Carey is to step down as chairman, while remaining on the board. He will be succeeded by Mr John Graven (left) group chief executive. Mr Anthony Richmond-Watson joins the board as deputy chairman succeeding Mr Christopher Whittington (right) who has retired, but remains on the board as a non-executive director. Mr Michael Dobson (captre, left) becomes Dobson (centre, left) becomes group chief executive. Mr David Ewart, a director of

m Sir Richard Guskell, the former president of the Law Society, and Mr A.L.D. Frith have been appointed directors of BRISTOL WATER.

■ Mr Norbert Wirsching, chief executive of the electronics division, has been made a director of POLLY PECK INTERNATIONAL

■ Mr Fred Chiles has been appointed an executive

director of CADCENTRE. Ha is to head the company's manufacturing industries

Mr Nicholas C. Wallis has been appointed secretary and financial controller at GERRARD & NATIONAL HOLDINGS. Mr Christopher Rand has become a director of Gerrard and National Ltd. Mr Graeme Dunlop has

become deputy chairman of P&O EUROPEAN FERRIES in addition to his position as managing director. He is also appointed chairman of P&O Control Possible Abardeen Scottish Ferries, Aberdeen.

■ Mr John Bullock has been appointed a part-time member of the UNITED KINGDOM ATOMIC ENERGY AUTHORITY. He is a senior partner at Deloitte, Haskins and Sells, and is re-appointed for two years from November

■ DALGETY, the food and agriculture group, has appointed Mr Maurice Warren, group managing director, as chief executive, writes Lisa

Mr Warren had been widely tipped in the City as successor to Mr Terry Pryce who abruptly left the post of chief executive in July after eight

years in that role. At that time Mr Warren, who was responsible for Dalgety's operations in the UK and Europe, took on additional responsibilities, including Dalgety's businesses in

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CURRENCIES, MONEY AND CAPITAL MARKETS

Calls setti Dec 3-27 2-36 1-53 1-11 0-46 0-27 0-16

FINANCIAL FUTURES AND OPTIONS

98-21 98-21 98-17 98-10 98-03 97-28 97-21 97-14

EUROPEAN OPTIONS EXCHANGE

\$05 BIO7

0.10 0.40 0.60 0.50 0.50 1.70 0.30 0.50 1.20 0.10 3.50 0.70 0.70 0.70 0.24 0.24

High Low 93.04 92.92 93.30 93.14

PHILADELPHIA SE SIS OFTION E31,250 (cods per EL)

LIFFE US TREASURY NOME FUTURES OPTIONS
\$100,000 640m of 180%

0.59 0.40 0.25 0.14 0.07 0.04

LIFFE BUIED FUTURES OFTEN

LONDON (LIFFE)

Extimated volume 641 (772) Previous day's open int., 1040 (1040)

85.66 85.64 86.99 87.35 87.61 87.97 88.00 88.00

Est, Vol. Goc. figs. not shown) 11502 (34189) Previous day's own int. 34840 (34840)

1-orth, 3-mth, 6-orth, 12-orth, 15736 1.5576 1.5355 1.4978

1,5588 1,561 1,5370 1,539 1,5150 1,517

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FT-SE IM IMBEX \$25 per full intex pula

BIRM-STERLING SO per £

1.5825

1.78 1.44 1.14 0.85 0.67 0.49 0.35

0.20 0.29 0.43 0.76 0.76 0.98

92-13 92-13

FOREIGN EXCHANGES

Dollar hit by US trade figures

A LARGER than expected US trade deficit in August did nothing to calm jangled nerves on Wall Street yesterday and market reaction to the figures led to a weakening of the dol-lar on the foreign exchanges. A fall in US exports and a

A fall in US exports and a rise of 6.4 per cent in imports widened the trade gap to \$10.775n in August, from a revised \$8.245n in July. This was an increase of 31 per cent in the deficit and the largest trade the trade of the same trade. in the deficit and the largest trade shortfall so far this year, whereas the financial markets were expecting a deficit of around \$9.06bn. There was also disappointment that the July

disappointment that the July trade gap had been raised from the previously reported figure of \$7.58hn.

Fears that the steady improvement in the US trade position seen this year may have stalled pushed the dollar down to a low of DM1.8440, but the currency held shows a terkthe currency held above a technical support level of DM1.8400 to close at DM1.8530 in London, compared with DM1.8650 on

Monday.
The dollar flirted with a support level of Y141.00 in terms of the Japanese ven before closing at Y141.45 against Y141.85 previously. It also fell to SFT1.6235 from SFT1.6230 and to FFr6.2000 from FFr6.3375. On Bank of England figures the dollar's index was unchanged

OTHER CURRENCIES					
Oct_17	£	5			
Argentina Australia Brazil Finland Creece Hong Kong Ican KoreatSiN Kowali Linuenbourg Malaysia Mexico M. Zealand Sauti Ar. Siscapore S. At (Cm) S. Af IFril Linuenbourg U.A.E.	4.1855 • 4.1975 6.0755 • 6.1940 40.50 • 40 60 5.8185 • 5.8235	4250 - 525 00 1.5020 - 1.5020 4.250 - 4.2750 4.250 - 4.2750 164 65 - 167.55 7.8000 - 7.8100 71.20 658.60 - 67.380 0.29820 - 0.29870 38.85 - 30.95 2.6910 - 2.4960 2.6950 - 2.495 0.00 1.7020 - 1.7550 1.5750 1.5750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750 1.6750			
"Selling rate					
£ IN NEW YORK					

QcL17	Latest	Close		
5 Spot	1.5790-1.5800 0.84-0.83pm 2.39-2.36pm 8.38-8.28pm	1.5745 - 1.5755 0.89 - 0 86pm 2.46 - 2.43pm 2.42 - 8.32pm		
Forward prestule	ms and discounts ap	ply to the US dolla		
STE	RLING I	XBCK		

CURRENCY RATES						
Oct.17	Bank rate %	Special* Drawlog Rights	European † Correscy Unit			
Sterling 8 U.S. Dollar Caradian 8 Austrian Sch. Belgian Franc Dentsch Mark. Hela Gulder French Franc Lathan Lira Japanese Ven Kornov Mone Spanish Preeta Seedish Krona Swits Franc Greek Drach.	10.00 7.00 10.15 13.5 9.80	124060 127857 150437 16.6329 49.4966 9.21657 2.35858 2.65943 3.00321 1735.731 180.278 8.22760 2.07064 210.734 180.8760 180.8760	1,42822 1,10837 1,30289 14,4399 43,1154 8,80299 2,05159 2,3156 6,97442 1509,93 156,613 7,66439 1,3622 1,79722 183,325 0,770719			

Sterling quoted in terms of SDR.aud ECU.per £.
† European Commission Calculations.
* All SDR rates are for Qct_16

CURRENCY MOVEMENT						
0st.17	Sank of England Index	Morgan ^{to} Guaranty Changes %				
Sterling U.S Dollar U.S Dollar Casadium Dollar Austrian Schilling Belgian Franc Dontsh Krone Dontsh Krone Series Franc Series Franc Gattler French Franc Lira Ves	89.0 69.8 104.7 107.9 107.1 105.0 115.0 111.8 100.8 98.7 137.7	-21.9 -81 +1.3 +10.7 -5.3 -0.2 +22.2 +15.9 +14.5 -14.4 -19.5 +68.3				
Morgan Guaranty	changes: a	Verage 1980				

MONEY MARKETS

INTEREST RATES finished little changed on the London money market yesterday, easing a little on news of a larger than expected US trade deficit in August and on further

operations by the US Federal Reserve to add liquidity in

The US trade news led to a firming of sterling against the dollar, while the Fed's action

followed a weakening of share prices on Wall Street. Three-

UK clearing bank base looding rate

15 per cent from October 5

month sterling interbank opened firmer at 151/4-15 and closed unchanged at 15-14%

The Bank of England ini-

tially forecast a credit shortage of £900m in London, bnt revised this to £950m at noon

and to £1,000m in the afternoon. Total help of £928m was

provided. The authorities

offered an early round of assistance, and at that time bought

£358m bills outright, by way of

£10m bank bills in band 1 at 14% per cent and £348m bank bills in band 2 at 14% per cent.

Another £205m bills were pur-

chased before lunch, via £28m

bank bills in band 1 at 14% per

cent; £135m Treasury bills in

band 2 at 14% per cent; and

£42m bank bills in band 2 at

14% per cent. In the afternoon the Bank of

England bought £25m bank

New York.

London rates steady

market, and there was little reaction to data on US capacity utilisation and industrial production. September capacity use was running at 83.6 per cent, down slightly from 83.8 in August, but slightly above forecasts of around 83.5 per cent, down slightly above forecasts of around 83.5 per cent, down slightly above forecasts of around 83.5 per cent, down slightly above forecasts of around 83.5 per cent, down slightly above forecasts of around 83.6 per cent, down slightly above forecasts of around \$100m. Currencies within the Eurocent. Industrial production for the same month fell 0.1 per cent, against a rise of 0.3 per cent in August and forecasts of a 0.3 per cent fall in September.

Sterling rose against the dollar, gaining % cent to \$1.5825, and also climbed to Y223.75 from Y223.50, but it lost ground to most European currencies.
The pound fell to DM2.9325
from DM2.9375; to SF72.5700
from SFr2.5750; and to
FFr9.9700 from FFr9.9825. Sterling's index closed unchanged
at 89.0.

Nervousness in equity markets continued to influence trading and there was also disappointment at the latest UK Public Sector Borrowing Punt.

The trade figures were the main factor influencing the market, and there was little full financial year will be around £10bn, compared with a

against expectations of a repayment of £250m to £400m. Currencies within the European Monetary System traded fairly steadily with the Italian lira replacing the Danish krone as the weakest member of the system. There was no sign of central bank intervention, but the lira moved outside its cross rate limit against the strong D-Mark.

The krone was supported by speculation about a rise in Danish interest rates. The system has now divided into two distinct groups, excluding the very firm Spanish peseta. The French and Belgian francs plus the krone and lira appear to be in dengar of a devaluation.

	MS E	URO	PE	M CU	RRE	ICY	UNI	T RAT	ES	
		Eca cestr rate	al	Currenty amounts against Eco Oct.17	·	change from entral rate	adh	change sted for ergence	Dhe	ergence nJt %
Belgian Fran Gankh Krone German D-Ni French Franc Gusch Galide Irish Punt Spanish Pese Gunges are Idjustment of	ork	42.4 7.85 2.05 6.90 2.31 0.768 148: 133. refore por	212 853 403 943 411 3.58 864	43.115 8.0029 2.05159 6.9744 2.3158 0.77071 1509.9 130.622		H1.55 -0.34 -0.34 -0.16 -0.30 -1.78 -2.38	1 4	1.05 1.42 0.16 0.52 0.34 0.34 0.37 2.38	*	5424 6419 1.1019 1.3719 1.5019 1.6689 1.0615
POU	ND S	POT-	FO	RWAR	D AC	AIN	ST 7	HE P	OU	ND
0ct_17	Day spres			Close	One m	onth	% pa	Tiret month		% pa
IS	2.93	1.8625 13.321 12.00 11.513 1.1110 1.941 1.244	1.85 3.30 61.5 11.4 1.101 2.5 250	00 - 1 5830 15 - 1 8605 15 - 3 31 12 10 - 61 60 12 - 11 43 10 - 1 1020 13 - 2 93 12 10 - 25 1 90 15 - 186 75	34-24 0.45-0. 13-15	45cpm 7 ₆ cpm 26cpm oreșon	6.75 3.16 7.02 5.56 2.95 4.63 7.16 1.03	93-1 1.15-1 43-1 23	270m 1 pm 790m 1 pm	6.3 2.8 6.5 5.3 3.1 3.9 6.5 -0.7 1.0

DOLL	AR SPOT-	FORWAR	D AGAIN	IST '	THE DOL	LAR
0:1.17	Day's Spread	Close	One morth	%. p.z.	Three months	% p.a.
UX†	1.5740 - 1.5910	1,5820 - 1,5830	0.90-0.88cpm	6.75	2.51-2.48pm	6.3
relandt	1.4255 - 1.4400	14395 - 1.4405	0.25-0.20cpm	1.88	0.85-0.75pm	2.2
Canada	1.1735 - 1.1770	1.1755 - 1.1765	0.34-0.37cdls	3.63	1,00-1,05dts	-3.4
Netherlands.	2.0900 - 2.1075	2,0910 - 2,0920	0.08-0.06cpm	0.40	0.17-0.13om	0.29
Belgium	38.75 - 39.25	38.85 - 38.95	2.50-4.50cds	-1.08	200-11.00ds	-0.9
Dennark	7.204 - 7.284	7.213 -7.224	2,40-2,65 oredis	-421	6.30-6.70ds	-3.6
W. Germany	1.8420 - 1.8675	18525 - 18535	0.30-0.08pfpm	0.56	0.19-0.16pm	0.3
Portugal	158.30 - 159.40	158.45 - 158.55	70-80cds	-5.68	265-2956s	-7.0
Spain	117.50-118.90	117.90 - 118.00	50-60cdis	-5.61	153-1636s	-5.3
taly	1358 - 13731	13654 13664	4,50-5.00tiredis	· -4.17	12.50-13.50ds	~3.80
Norway	6.90 - 6.96	6.90% 6.914	1.50-1.75oredls	-2.82	4.70-5,00dis	-2.8
rance	6.26 2 - 6.34 4	6.294 - 6.304	0.70-0.75cdis	-1.38	2,30-2,40dk	-1.4
Sweden	6.424 - 6.474	6.424 6.434	1,74-1.B9oredis	3.39	5.15-5.40db	-3.2
Japas	140.90 - 142.55	141.40 141.50	0.32-0.30mm	2.63	0,83-0.79pm	2.2
Austria	13.024 - 13.14		0.35pm-0.15cdk	0.09	0.60pm-0.90dis	-0.0
Switzerland.	1.6145 - 1.6370	1.6230 - 1.6240	0.11-0.07cpm	0.66	0.21-0.23pm	0.6
ECU	1.1010 - 1.1120	1,1110 - 1,1120	0.20-0.18cpm	2.05	0.55-0.52pm	1.9

0ct 17	Short	7 Days	One	Three	Stx	One
	term	notice	Month	Months	Months	Year
Sterling US Dollar Jan. Dollar	154-143 84-85 12-114 84-85 12-114 84-91 91	15 - 44 - 44 - 44 - 44 - 44 - 44 - 44 -	12. 44 84 81 12. 84 1 12. 84 1 12. 84 1 12. 94 1 12. 94 1 12. 94 1 13. 84 1 13. 84 1 14. 84 1 14. 84 1 16. 84 1	15-145 84-87 124-115 84-87 84-87 84-87 124-115 94-93 124-115 14-93	141-141 87-83 116-113 86-83 74-74 81-8 104-73 125-124 93-94 93-94 64-63 11-115 81-84	145-14 82-6 114-11 84-77-71 93-99 125-12 91-91 94-91 64-61 115-11

0 a 17	£	5	DM	Yes	F Fr.	5 Fr.	H FL	Lina	CS	er
£ \$	0.632	1.583	2.933 1.853	223.8 141.4	9.970 6.298	2.570 1.623	3.310 2.091	2162 1366	1.860 1.175	61.5 38.8
DAY	0.341	0.540	1	76.30	3.399	0.876	1.129	737.1	0.634	20,9
YEN	4.468	7.073	Bu	1000.	44.55	11.48	14.79	9660	8.311	2/5
F Fr.	1.003	1.588	2942	224.5	10.	2.578	3,320	2169	1.866	61.7
5 Fr.	0.389	0.616	1141	87.08	3.879	1	1,268	841.2	0.724	23.9
N Fl.	0.302	0.478	0.8%	67.61	3.612	0.776	1	653.2	0.562	18.6
Lira	0.463	0.732	1.357	103.5	4.611	1.189	1.531	1000.	0.860	28.4
CS 8 Fr.	0.538 1.625	0.851 2.572	1.577	120.3 363.6	5.360 16.20	1.382 4.175	1.780 5.378	1162 3513	3.022	33.0

TOTAL VOLUME IN CONTRACTS ; 111,563 Yen per 1,000: French Fr. per 10: Liza per 1,000: Selotac Fr. per 100 FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means remaind to the nearest one-sixteenth, of the bid and officed rates for SIDs goods by the market to five reference hanks at 11.00 a.m. each working day. The banks are lisational Westminste Bank, Bank of Foliyo, Dentsche Bank, Bangue Mational de Paris and Morgan Guaranty Trans.

	N	ONE	RAT	ES		
NEW YORK			Treasury	Bills and	Bonds	
Luncinti (me)						
QcL17	Overnight.	One Month	Two Months	Taree Months	Six Months	Lombard intervention
Frankiart Paris Zurich Anstendam Tokyo Milian Brussels Dablin	7.90-8.00 10-10 ² 4 64-64 7.94-8.06 523-53 124-12 ² 4 7.20 94-10	7.90-8.05 933-104 75-774 8.18-8.38 63-63 12-5-13 93-94 10-10-1	7.90-8.05 95-104	8.00-8.20 10-101- 71-8 8.18-8.28 61-61- 121-131- 91-95- 101-101-	7.95-8.15 10-101 101-101	8.00 9.50

8% per cent.
In Frankfurt call money was
steady at 7.95 per cent, trading
close to the Bundesbank's
Lombard emergency financing
rate of 8 per cent. Dealers said
that if the central bank does
not provide extra liquidity at
this week's securities repur-
chase agreement, tender inter-
est rates will remain firm.
Banks bid yesterday for a two-
tranche tender at a fixed rate
of 7.3 per cent for 28-day funds
and at variable rates for 56-day

bills in band 1 at 14% per cent and provided late assistance of around £340m.
Bills maturing in official hands, repayment of late assis-tance and a take-up of Trea-

sury bills drained £510m. with Exchequer transactions absorbing £400m and bank balances below target £60m. These factors outweighed a fall in the

note circulation adding £75m

to boundity.
In New York the Federal
Reserve met market expecta-

tions by adding temporary

liquidity to the banking system

through \$1.5bn of customer

repurchase agreements when Federal funds were trading at

The result of the tender will be announced today and the market is looking for the authorities to more than replace the DM21.9bn draining from the banking system, as two earlier pacts expire.

Frankfurt Parls Zurich Amsterdam Tokyo Milian Brussels Dablán	7.90-8.00 10-10 ² 4 6 ¹ 4-6 ² 5 7.94-8.06 532-533 124-12 ² 4 7.20 94-10	7.90-8.05 913-10 Å 7-7-7-7-8 8.18-8-28 6-1-6-3 12-13 91-95 10-1-10-5	7.90-8.05 98-104	8.00-8.20 10-101- 73-8 218-8.28 123-131- 91-95- 104-103-	7.95-8.15 10-101a - - 10g-101	8.60 9.50	
LONDON MONEY RATES							
Oct 17	Overnight	7 days notice	One Month	Three Months	Moaths Six	One Vear	
Interbank Offer Interbank 81d Sterling CDs Local Authority Deps Local Authority Bonds Olscount Milit Deps Finance House Deposits Finance House Deposits Treasury 81lis (Buy) Sank Bills (Buy) Fine Trade Bills (Buy) Dollar CDs SDR Linked Dep Offer SOR Linked Dep Offer ECU Linked Dep 81d	154	15 14% 14% - 14% - - - -	151 ₄ 15 15 15 141 ₄ 151 ₅ 141 ₅ 151 ₅ 85 ₅ 85 ₅ 85 ₆ 104 ₆	15\4\5 14\5 15 15\4 15\4 15\4 15\4 16\4 10\4	1415 1445 1445 1452 1452 137 81 1837 81 1014	1415 1445 1445 1445 1445 - - - - - - - - - - - - - - - - - -	
Tressury 81lls (sell); one-month 148 per cent; three months 148 per cent; Bank 81lls (sell); one-month 141 per cent; three months 144 per cent; Bank 81lls (sell); one-month 141 per cent; three months 143 per cent; Tressury 81lls, Average kinder rate of discount 14.5687 p.c. EGGD FixeR Rate Sterling Export Finance. Malke up day Settlenber 29, 1989. Agreed rates for period October 25, 1989 to November 25, 1989, Scheme I. 14.82 p.c., Schemes II. 8. Ill: 15.27 p.c., Reference rate for period Sept.1, 1989 to Sept.29, 1989, Scheme IV&V: 14.018 p.c. Local Authority and Finance Houses seven days finate. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for satus at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nioe months 12 per cent; under 6100,000 10½ per cent from May 25,1989. Deposits withdrawn for cash 5 per cent.							

BASE LENDING RATES

ABN Bank	15	Clydesdale Bank 1	
Adam & Company	15	Comm. Bk.M. East 1	Marthera Bank Ltd 15
Allied Trust Bank	15	Co-operative Bank *1!	Marwick Gen, Trest
Allied Irish Bank	15	Contis & Co 1	PRIVATbankes Limited 15
Henry Austracher		Cypres Popular Bk 1	Provincial Bank PLC 16
American Con Com	14	Dembar Bank PLC 1	R. Raphael & Sons 15
Associates Cap Corp	铅	Design Design Colonia I	Rocharghe Grantee 1512
Asthority Bank	15	Dustan Cantrie 11 Equatorial Bank pic 11	Beel Bird Contled
R & C Merchant Rank	15		Royal Bik of Scotland 15
Bank of Baroda			Royal Trest Bank
Banto Billian Vizcaya	15	Financial & Gen. Bank 1	
Bank Hapoallin	15		Standard Chartool 15
Bank Credit & Comes	15	Robert Fleming & Co 1	TSB 15
	Ī5		Usited Bk of Konrait 15
Bask of Ireland	15		5½ United Bk of Konrait 15 5 United Milwald Bank 15
Bank of India	15	© Guitares Mahrat	Unity Trust Bank Ptc 15
Dank of Carthard		SFC Bark plc 1	
Bank of Scotland	15		Westuar Bank Corp. 15
Banque Beige Ltd	15	Hambros Bank 1	
Barcians Bank	15		12 Whiteway Laidlaw 15
Beechmark Bask PLC	15	Heritable & Gest Inv Box . 1	Yorkshire Burk
Brit Bk of Mid East.	15	● Hill Samed 51	
Brown Stripley	15	C. Hozze & Co 1	
Business Nitge Bank PLC	154		
DIDINGS WITH DARK LITE			
CL Bank Nederland	15	● Techold Yosahu & 2002 *** T	
Charterhouse Bank	15	Lloyds Bank 1	Association. * Deposit now 5.9%
Citibank NA	15	Meginal Bank Ltd 1	
City Merchants Bank		McDouneti Dountes Brit. 15	instant access 12.8% \$ Mortgage
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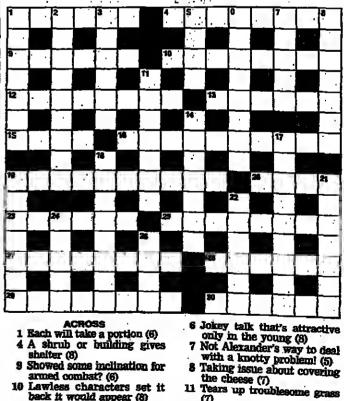
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JOTTER PAD

CROSSWORD

No.7,066 Set by VIXEN



ACROSS
1 Each will take a portion (6)
4 A shrub or building gives shelter (8)
9 Showed some inclination for

armed combat? (6)
10 Lawless characters set it back it would appear (8)
12 Knitwear for town (8) 13 Little creature of nicest pos-

sible disposition (6)
15 Forced to retreat in Holland 16 Adjust rate and things should be different (10)
19 Examination for which

someone's always inexplica-bly late (4-6) 20 The medico goes in like a man (4)
23 Write about the noise (6)
25 A stout MP ordered crush

(5,3)
77 The inspector is no longer a
worker underground (8)
28 Get the painter to phone from the centre (6)

"There is pansies, that's for "(Hamlet) (8) 30 Some songstresses feel the pressure (6) DOWN An A? (7)

2 Still rate about abuses (3-6)

3 Believe in making financial

provision (6) 5 A fish or seaweed product

(7) 14 Colour is a factor in some

14 Colour is a factor in some degree (7)
17 Time to get up put off (9)
18 Senior NCO wearying but studing (6)
19 Mislead retiring minister in audacious fashion (7)
21 Fixes sinks (7)
22 Showing bad spirit over work can cause strike (6)
24 Greek philosopher organising a plot (5)

ing a plot (5)
Measures one's standing? (4)

Solution to Puzzle No.7,065

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TIMES WEDNESDAY OCTOBER 18 1985		CK MARKETS
ROSTRIA FRANCE (continued) GERMANY (continued) Sciules 17 Sci: + or - October 17 Frs. + or - October 17 Assertin Al-Class 1,120 120	Day + ar - Octaber 17 - Line + ar - Octaber 17 Kroner + ar -	CANADA
Activities Al-Comes 3, 120 120	Sept	Sales Stock High Low Close Chang TORONTO Apm prices october 17 Considere in nates united methods 104+ 5 December 18 18 16 - 5 December 18 18 18 16 - 5 December 18 18 18 16 - 5 December 18 18 18 18 16 - 5 December 18 18 18 18 18 18 18 18 18 18 18 18 18
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FINANCIAL TIMES

AMERICA

Dow declines in volatile session

Wall Street

WAVES of programme trading hit the New York Stock Exchange yesterday, producing surges of both buying and selling and wild swings in an

ing and wild swings in an extremely volatile session, writes Janet Bush in New York. By the close, the Dow Jones Industrial Average was quoted substantially above its earlier lows, 18.65 points down at the control of 2,638.73. The key indices on the American Stock Exchange and the Nasdaq over-the-counter electronic market were also

The Dow Jones Transporta-tion Index was quoted 49.96 points lower at 1,254.27 as air-line stocks continued to plum-met under a deluge of sell orders. Some equity analysts said it was weakness in airline issues which exacerbated the weakness in the broad market

weakness in the broad market yesterday.
Equities dropped quite sharply immediately after the opening in response to a substantial widening in the US trade deficit in August to \$10.77bn. Analysts had expected only a \$9bn deficit. The July deficit was also revised

upwards to \$8.24bn from the \$7.58bn previously reported. Although volume on the New York Stock Exchange of 224m shares was not nearly as heavy as on Monday, when 416m shares were traded, the

market was more volatile. After their initial weakness, stocks rebounded before plunging in a 65-point drop in the late morning as traders bought Standard & Poor's futures contracts on the Chicago Mercan-tile Exchange when they dipped to a discount to their underlying stocks in the cash market. The futures later rebounded to a premium over the cash market, the futures

were sold and the cash market recovered about two thirds from its worst levels. The Dow Jones Industrial Average was down about 20 points when the programmes were set in motion, and lost another 40 points in 10 minutes only to recover those 40 points

in another 10 minutes.

In trading so dominated by programme trading, it is difficult to discern an underlying tone to the market. However, the weakness on the American Stock Exchange and Nasdaq market, which tend not to be affected directly by stock index arbitrage, provides evidence that there was genuine selling of stocks.

UAL, suspended temporarily in mid-morning because of a deluge of sell orders, was quoted \$25% lower at \$197% as it looked increasingly unlikely that banks would be prepared to finance even the restructured buy or the long protured huy-out deal being proposed by Citicorp.

AMR, the parent company for American Airlines, was another \$2% lower at \$73%; Delta dropped \$1% to \$67% and USAir slipped \$% to \$40%.

Among stocks that are the subject of a hid or takeover speculation, Paramount Communications fell \$1 to \$56%.

Holiday fell \$1% to \$99% and

Holiday fell \$1% to \$39% and USX dropped \$% to \$33%.

Liquid, high capitalisation stocks which have a proven ability for earnings growth even in an economic downturn continued to ont-perform the rest of the market. Among these was Procter & Gamble which added \$3 to \$127, Pepsico which was np \$1% at \$58%. Pfizer which added \$1 to \$67 and, on the over-the-counter

market, Apple Computer which edged \$1/2 higher to \$471/4.

Several companies announced third-quarter earnings. BF Goodrich, which saw net income drop to \$1.50 a share from \$2.32, fell \$1% to \$43%. MCI Communications dropped \$25% to \$43% in write dropped \$2% to \$42% in spite of a rise in net income to 52 cents a share from 38 cents a

Phillips Petroleum lost \$1/2 to \$24% after the company esti-mated that its third-quarter net income would fall.

TRADING activity calmed down as Toronto share prices gave up about half of Monday's gains to close lower.

The composite index, up 56 points on Monday, sank back 23.1 to 3,904.2. Volume eased to 27.7m shares from the previous day's 46.9m. Dsclines topped

Advances by 379 to 331.

Mining stocks led the downturn with a 2 per cent loss on the sub-index. Noranda fell

C3% to C325% and Alcan lost C4% to C325%.

Northgate Exploration, which plans a reorganisation of its associated companies, was unchanged at C\$6%.

over the past three months, rushed brokers with buying orders after Wall Street closed;

But market analysts are neryous about trends in the next few days, predicting considerable volatility. Their concern tems from uncertainty about the US trade figures, due later

ereignty in 1997. Responding to Tokyo, the Hang Seng's highest point yesterday of 2,719 was reached within a few minutes of the opening at 10 am as the index rose by 118 points. Volume was

SINGAPORE recovered more than a third of Monday's 10 per cent loss, with the Straits Times industrial index rising 56.79, or 4.4 per cent, to 1,341.83 in heavy trading.

The day's most active stock was UIC, up 13 cents at \$\$2.31 on a turnover of 12.8m shares There were rumours of Singa-pore Land taking a stake in UIC last Friday. DBS Land, up 11 cents at S\$2.70 in 12.7m, also attracted interest on property development rumours a few days ago. Singapore Land warrants rose 95 cents, or 15 per cent to \$\$7.30.

JOHANNESBURG recovered most of Monday's losses, with gold shares closing firmer but off their day's highs. Shortly before the close, the all gold index was up 94 points, or 6.7 per cent, at 1.493, after its 8.1

Region recovers with Japan at helm

Tokyo

RELIEF over the rebound of the Dow Industrial Average in New York on Monday passed quickly into exhilaration yesterday, triggering bargain-bunting which gave share prices their second biggest gains this year, writes Michiyo Nakamoto in Tokyo.

The market virtually made a complete recovery from Monday's fall. Tokyo's relatively calm trading on Monday had raised hopes that the correc-tion would be temporary, as long as New York was stable, but few bad expected the recovery to be so quick and so

The Nikkei average rose 527.39 to finish just short of the 35,000 level at 34,996.08. In intra-day trading it had more than recouped its loss of 647.33 made on Monday, rising 714.89 to a high of 35,183.58. The day's low was 34,508.42.

Advances ontnumbered declines by 821 to 201 while 103 issues were unchanged. Turnover, however, was still low at 678m shares, although up from

The Topix index of all listed shares advanced 41.76 to 2,612.61, also marking its sec-ond largest rise this year. In London, however, the ISE/Nikkei 50 index eased 2.95 to

2,021.15. "The rebound [in Tokyo] was not surprising," one trader said, "but what was surprising was how quickly it rebounded and bow immune (the market was] to Japanese reasons for caution." The gains were sup-ported by stable honds and came in spite of a weaker yen.

investors were further sustained by recent indications that the Government would stand by the market to prevent a crisis. The relatively calm trading strengthened the conviction that Japanese markets were a safe haven. A vein of caution, illustrated by the low volume, reflected the impending release of US trade figures

after the market's close. Buying focused on issues sensitive to increased domestic demand, such as constructions and steels. They were popular because they have just gone through a correction phase as interest rate-sensitive issues.

most actively traded with 19.4m shares changing hands.



Tokyo investors enjoy the rebound in share prices

Tokyu Land, a real estate company, topped the most actives list with 31.3m shares and advanced Y90 to Y1,590 after its strong performance on Mon-

A big change in the market was the lacklustre performance of Sony, the designated leader before last Friday. That day's events on Wall Street have led to questions being raised over Sony's financial management following its acquisition of Colima Pictures 63

It dropped Y160 to Y8,750. Heavily-capitalised stocks led a rebound in Osaka. The OSE average closed up 434.96 at 35,828.50. Volume recovered to 45m shares from 35.5m on

PARTIAL, but sizeable, recoveries yesterday followed Monday's falls of up to 12 per cent in Asia Pacific markets. The mood remained nervous after the volatile trading of the past two days and in advance of the US trade figures, which came after the close.

AUSTRALIA took its cue from Wall Street and bounced back yesterday to reclaim almost half the ground it lost on Monday, urites Chris Sher-well in Sydney. The All Ordinaries index put

on 61.9, or 3.9 per cent, to 1,662.6. It lost 8 per cent to 1,600.7 on Monday. Trading volume was stronger yesterday as institutions stepped in to buy

On the Sydney futures exchange, however, the December 1989 share price index contract finished at 1,644, a more substantial discount to the

physical market than the

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3-point differential on Monday. Brokers reported demand for shares across the board, but said investors remained nervous about the immediate out-

> watch New York closely. One Australian analyst in London said the situation was highly volatile and that some institutions were supporting the physical market, while others with a more pessimistic view were short-selling futures. (BHP) added 24 cents to A\$9.46 after losing 72 cents on Mon-

look and would continue to

day; Elders IXL regained 15 cents to A\$2.95, after shedding 37 cents; and News Corporation recovered 45 cents to A\$13.50, after a A\$2 plunge. Leading banks showed healthy gains, with National Australia rising 36 cents to

A\$6.70 on reports that it was interested in acquiring Yorkshire Bank of the UK. Large mining companies such as Western Mining and CRA also recovered. The gold index jumped 7.5 per cent—double the rise in the All Ordi-

naries index. Entrepreneurial stocks outperformed the market by a similar margin. The besieged Bond Corporation added 3 cents to 29 cents after losing 5 cents the previous day, Indus-trial Equity (down 24 cents on Monday) pnt on 10 cents to A\$2.11 and Adelaide Steamship (off A\$1.05 on Monday) closed 60 cents up at A\$9.60. NEW ZEALAND saw its Bar-

clays index rise 117.7, or 5.7 per cent to 2,176.42, after a loss of 8.5 per cent on Monday, writes Terry Hall in Wellington. Individual investors.

together with European buyers who had helped fuel the rally

there were few sellers. The institutions did not trade, awaiting developments in Lon-don and Tokyo, and volumes were moderate, with the under-

lying tone still nervous.

HONG KONG regained more than half of its 6.5 per cent fall when the local Hang Seng index closed at 2,695.90, a rise of 64.2 or 3.5 per cent since of 94.2, or 3.6 per cent, since Monday, writes John Elliott in

yesterday, the varying moves on other markets and the tough stance being adopted by China towards Hong Kong, which reverts to Peking's sov-

heavy at HK\$1.8bn, but below Monday's HK\$2.2bn.

TAIWAN enjoyed its biggest single-day gain in points terms as the weighted index surged 410.32, or more than 4 per cent to 10,100.52 in active volume This recapturing of the 10,000 level followed a 5.7 per cent fall in the previous two days.

SOUTH AFRICA

per cent decline on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS _	TUESDAY OCTOBER 17 1989						MONDAY OCTOBER 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Oiv. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147,48	+4.7	138.17	127.66	+3.4	5.17	140.89	132.62	123,41	160.41	128.28	145.17
Austria (19)	166.91	+3.5	156.37	160.77	+2.9	1.52	181.26	151.80	156.26	172.22	92.84	94,55
Belgium (63)	144.49	+ 1.7	135.37	138.97	+0.9	3.98	142.10	133.76	137.72	144,49	125.58	127.33
Canada (122)	148.81	0.7	139.42	126.72	0.8	3.24	149.82	141.03	127.69	154.17	124.67	124.33
Denmark (36)	199.73	+ 2.9	187.12	196.14	+2.4	1.62	194.15	182.76	191,45	219.89	165.35	139.89
Finland (26)	125.34	+1,2	117.43	112.19	+0.9	2.47	123.83	118.58	111.20	159.16	123,12	117.50
France (126)	131.02	+0.3	122.75	129.48	-0.3	2.91	130.65	122.99	129.89	139.94	112.57	102.48
West Germany (97)	95.38	+7.1	89.36	91.88	+6.5	2.23	89.02	83.80	86.31	103.84	79.56	84.90
Hong Kong (48)	113.64	+4.1	106.46	113.93	+4.1	4.96	109.17	102.76	109.48	140.33	86.41	106.28
Ireland (17)	157.75	+7.4	147.79	154.36	+6.4	2.87	145.86	138.24	145.01	186.69	125.00	142.04
Italy (97)	89.97	+4.4	84.28	91.78	+3.9	2.49	86.15	81.09	88.35	96.73	74.97	83.46
Japan (455)	184.45	+1.8	172.61	184.92	+1.8	0.49	180.99	170.37	162.28	200.11	164.22	167.73
Malaysia (36)	199.16	+6.3	186.59	206.61	+6.4	2.57	187.34	178.34	194.15	209.22	143.35	136.35
Mexico (13)	300.48	-7.2	281.51	857.47	-7.1	0.60	323.66	304.67	922.55	326.61	153.32	156.13
Netherland (43)	125.25	+26	117.34	119.58	+ 1.9	4.44	122.09	114.92	117_35	131.72	110.63	107.93
New Zealand (19)	78.35	+7.4	73.40	70.87	+6.9	4.98	72.92	68.64	68.27	83.18	62.84	72.37
Norway (24)	171.37	+5.1	160.55	160.73	+4.6	1.61	183.07	153.50	153.66	198.39	139.92	117.95
Singapore (26)	160.06	+4.5	149.96	144.39	+4.8	2.05	153.14	144.16	137.72	170.62	124.57	116.80
South Africa (60)	143.24	+5.8	134.20	121.60	+6.5	4.69	135.33	127.39	114.22	160.24	115.35	109.74
Spain (43)	159.47	+2.9	149.40	142.49	+2.2	8.67	154.95	145.88	139.46	169.75	143.14	148.06
Sweden (35)	176.66	+3.6	165.69	168.35	+8.2	2.04	170.66	150.65	163.08	188.94	138.45	127.27
Switzerland (64)	86.33	+5.1	80.88	86.90	+4.4	2.17	82.12	77.31	83.24	94.18	67.81	81.49
United Kingdom (306)	137.95	-0.5	129.24	129.24	1.0	4.70	138.67	130.53	130.53	158.41	133.28	135.92
USA (547),	138.59	0.5	129.84	138.59	-0.5	3.33	139.22	131.05	139.22	148.29	112.13	113.94
									108.22			
Europe (996)	122.70	+20	114.95	117.00	+1.4	8.58	120.33	113.27	115.40	132.95	112.63	111.93
Nordic (121)	164.56	+3.3	154.17	152.14	+58	1.87	159.25	149.90	147,82	178.38	137.95	120.01
Pacific Basin (669)	180.33	+21	168.95	161.47	+ 1.8	0.73	178.67	166.30	158.67	194.72	160.44	164.30
Euro - Pacific (1665)	157.35	+2.0	147.42	143.67	+1.6	1.64	154.21	145.16	141.35	166.98	141.58	149.38
North America (669)	139.10	0.5	130.32	187.85	-0.5	3.33	139.75	131.55	138.50	146.96	112.79	114.49
Europe Ex. UK (690)	112.33	+3.7	105.24	109.81	+ 3.1	2.83	108.30	101.94	106,08	118.51	96.30	96.90
Pacific Ex. Japan (214)	130.80	+4.7	122.54	118.38	+4.0	4.77	124.90	117.57	113.78	140.05	111.93	123.06
World Ex. US (1860)	157.01	+20	147.10	143.13	+1.6	1.71	153.98	144.95	140.88	188.35	141.49	142.40
World Ex. UK (2101)	150.53	+ 1.8	141.02	142.75	+ 1.1	2.02	148.55	139.84	141.21	156.04	136.95	130.92
World Ex. So. Af. (2347)	149.42	+1.1	139.99	141.62	+ 0.9	2.22	147.73	139.06	140.38	155.92	136.67	131.48
World Ex. Japan (1952)	132.79	+ 0.6	124.40	129.56	+0.4	3.49	131.94	124.20	129.02	140.43	114.51	113.94
The World Indax (2407)	149.38	+1.2	139.95	141.48	+0.9	2.24	147.66	138.99	140.19	155.89	136.66	131.35

Rally trimmed by US trade figures

THE bigger than expected US trade deficit for August, and Wall Street's response, gave a sour taste to the recovery in Europe. Paris ended slightly weaker, but rallies elsewhere ranged from just under 2 per cent in Amsterdam to 65 per cent in Frankfurt.

PARIS recovered in tha morning but then ran into stormy weather again, foundering in the wake of Wall Street, writes George Graham in Paris. The CAC 40 index had opened at 1,849.09 after Monday's 6 per cent fall, and it was soon showing a gain of over 2 per cent. This was steadily whittled away, however, and the index was showing a decline of nearly 0.8 per cent in

trade deficit worse than Paris brokers had anticipated.

After drifting back into the black by 3.30 pm, the index slipped away again to show a

the early afternoon, following the announcement of a US

loss of 0.75 per cent at 4.30 pm, closing at 6 pm at 1,805.69, a decline of 4.12 points or 0.23 per cent on the day.

"There are no two ways about it, I'm afraid. Paris has always hear following New

simply been following New York," commented one broker.

A number of stocks which could not be traded at all on Monday after moving limit down reopened yesterday, showing substantial declines on their last quoted price from on their last quoted price from Friday. This contributed to the depression of the market indices. Turnover was substantially lower than Monday's heavy trading, but brokers said it could still be over FFTSbn.

Paribas was again heavily traded, ending 4.4 per cent higher at FF:590 with 613,000 shares changing hands. Navi-gation Mixte, at the centre of takeover speculation, rocketed up to FFr1,694 in the morning before coming back to end 0.6 per cent lower at FFr1,601, but volume was still substantial with 220,000 shares traded.

FRANKFURT benefited from heavy orders by institutional investors, encouraged by the turnround on Wall Street on Monday and continued bright prospects for the economy and

company profits, writes
Andrew Fisher in Frankfurt.
The DAX index advanced by
6.5 per cent to 1,475.44 points
after Monday's 13 per cent slide. This continued the afterhours improvement seen on Monday, which had been influenced by the uncertain recoving indications of price levels.

FT-A World Indices in local currency terms Europe //

ery in the US. Yesterday shares showed little immediate reaction to the US trade figures in after hours trading.

Jan

Leading stocks such as Daimler-Benz made up much of Daimler-Benz made up much of their previous losses, with the diversified motor group gain-ing DMS5 to close at DM705 after collepsing DM111 on Mon-day. Gains in other stocks included a DM37 rise at VW to DM432 (down DM78.50 on Monday) and one of DM42 to DM642 at Deutsche Bank (down. DM87.30 the previous day).

Official market hours were extended by 90 minutes to take account of the volume of buying, with many private shareholders climbing back into the market as the institutions stocked up. However, dealers said the market remained uncertain and clearly in the

"We've had two mad days, so we can't say how things are going to move," said Mr Uwe Müller-Kasporick, an analyst with Metzler, a Frankfurt private bank. "Now we have to try to be level headed and work out what happened to the

One dealer said the day began in a frenzy. The telephones were buzzing with enquiries from foreignars." British institutions, having sold some of their UK holdings as the market declined there in recent weeks, were ready to jump into Germany this time, he added. But Asian investors

remained reserved.

ZURICH closed off its best zurich closed off its best after seeing the US trade figures, but the Swiss Market index rose 82.5, or 5.1 per cent, to 1.705.4 after a 10.5 per cent fall on Monday, writes Our Markets Staff.

Volume increased, reflecting

local huying and selling, with foreigners not in evidence. Fas-tures included a SFr212 (7.7 percent) rise in Ciba-Geigy partici-pation certificates to SFr2,882 and a SFr100 gain in Brown Boveri bearers to SFr4,950, even after late selling brought them back from SFri. 250. MH.AN also bad sight of the

MILAN also can ago on the US trade figures, and blue chips came off earlier highs in afternoon trading before the MIB index closed 4 per cent higher at 1,127, after Monday's 7.1 per cent fall. make up nearly 40 per cent of the index. Turnover, which reached

Increased flow of orders paralyses Belgian CATS

THE BRUSSELS stock exchange disgraced itself for the second day running yesterday as its central computerised dealing system remained moribund under the increased flow of order write I very Kellement of orders, writes Lucy Kelloway in Brussels.

From today, trading will return to the open outery sys-tem while experts struggle to identify the problem. Since Friday, there has been no officiai treding in any of the 52 stocks quoted on the Computer Assisted Trading System (CATS). Although there has been some off-bourse activity, brokers complained that investors had been reluctant to trade in the absence of firm

"It is all very embarrassing. Those who had ambitions of creating a major financial centre in Brussels must be feeling very upset," said a head dealer at a big Brussels hank.

A London stockbroker said that the affair had already damaged the reputation of Brussels in the eyes of international investors, "Chents have been phoning up asking whether trading has started yet in "that Mickey Mouse market of yours," he said.

By the end of the day, the stock exchange was still not aware of the exact asture of aware of the exact nature of the problem with the comput-erised system, which had been introduced amid fanfares at the beginning of the year.

Volume remained heavy. It was estimated at L700bn on Monday, compared with a more normal L300bn. Flat was quoted at L11,090, up L289, after fixing earlier at L11,199.

AMSTERDAM was hit by computer problems which delayed the start of trading by one and a helf barre and the

delayed the start of trading by one and a half hours, and the US trade figures pushed international stocks off their highs. Shares closed 1.8 per cent better after loses on Monday of 6 per cent, with the CBS ten-dency index up 3.2 at 182.6. The computer delays were blamed on Monday's huge volume of F128bn, which compared with

F128m, which compared with F180m on a normal day.

The market started less strongly than expected as bonds weakened again and institutions stayed sidelined. Retail orders lifted shares from midden before a slight downmidday, before a slight down-turn on the US trade figures. Worst hit stocks on Monday were those also traded on the options exchange, as private investors bought put options and market makers sold the

underlying stocks.

MADRID saw some strong recoveries but the index was up only 19 per cent at 311.1 after its 5.3 per cent fall on Monday. This was mainly because of a backlog of sell orders on the banks, which

\$168m on Monday, was heavy again, and Telefonica, the national communications com-pany, climbed 15.7 points to 199 per cent of par after losing 26.9

on Monday.

Scandinavian markets showed varying degrees of recovery. OSLO, which had fallen 10.7 per cent on Monday, bounced back by 4.3 per cent on the all-share index to 487.83 in very heavy thrnover worth NKr704m. Shipping stocks benefited from local favying, with Wilhelm Wilhelmsea in NKr15 at NKr145 on takeover rumours. STOCKHOLM gained about 4 per cent after falling about 4 per cent after falling 7.5 per cent on Monday when the big internationally traded stocks were sold heavily. The Affarsvärlden General index rose 49.5 to 1,257.1 and trading rose 49.5 to 1.257.1 and trading was a heavy SKr592m. Local institutions, as in Norway, did not loin Monday's self-off.

VIENNA attracted more foreign buying and ended 2 per cent up in busy trading with the index at 507.34, having lost 7.5 new cent up Monday.

7.5 per cent on Monday.

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